

APACHE CORP  
Form 10-Q  
May 09, 2011

Table of Contents

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**FORM 10-Q**

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended March 31, 2011**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number 1-4300**

**APACHE CORPORATION**

(exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**41-0747868**

(I.R.S. Employer  
Identification Number)

**One Post Oak Central, 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400**

(Address of principal executive offices)

Registrant's Telephone Number, Including Area Code: **(713) 296-6000**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated  
filer ☐

Non-accelerated filer ☐

Smaller reporting  
company ☐

(Do not check if a smaller reporting  
company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes ☐ No ☒

Number of shares of registrant's common stock outstanding as of April 30, 2011 383,446,599

**TABLE OF CONTENTS**

**PART I FINANCIAL INFORMATION**

**ITEM 1 FINANCIAL STATEMENTS**

**ITEM 2 MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

**ITEM 4 CONTROLS AND PROCEDURES**

**PART II OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

**ITEM 1A. RISK FACTORS**

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

**ITEM 4. REMOVED AND RESERVED**

**ITEM 5. OTHER INFORMATION**

**ITEM 6. EXHIBITS**

**SIGNATURES**

**EX-10.1**

**EX-10.2**

**EX-10.3**

**EX-10.4**

**EX-10.5**

**EX-10.6**

**EX-14.1**

**EX-31.1**

**EX-31.2**

**EX-32.1**

**EX-101 INSTANCE DOCUMENT**

**EX-101 SCHEMA DOCUMENT**

**EX-101 CALCULATION LINKBASE DOCUMENT**

**EX-101 LABELS LINKBASE DOCUMENT**

**EX-101 PRESENTATION LINKBASE DOCUMENT**

**EX-101 DEFINITION LINKBASE DOCUMENT**

---

Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1 FINANCIAL STATEMENTS**

**APACHE CORPORATION AND SUBSIDIARIES**  
**STATEMENT OF CONSOLIDATED OPERATIONS**  
**(Unaudited)**

|                                          | <b>For the Quarter Ended March 31,</b>             |             |
|------------------------------------------|----------------------------------------------------|-------------|
|                                          | <b>2011</b>                                        | <b>2010</b> |
|                                          | <b>(In millions, except per common share data)</b> |             |
| REVENUES AND OTHER:                      |                                                    |             |
| Oil and gas production revenues          | \$ 3,878                                           | \$ 2,693    |
| Other                                    | 47                                                 | (20)        |
|                                          | 3,925                                              | 2,673       |
| OPERATING EXPENSES:                      |                                                    |             |
| Depreciation, depletion and amortization | 936                                                | 639         |
| Asset retirement obligation accretion    | 37                                                 | 24          |
| Lease operating expenses                 | 623                                                | 440         |
| Gathering and transportation             | 76                                                 | 40          |
| Taxes other than income                  | 164                                                | 177         |
| General and administrative               | 112                                                | 87          |
| Merger, acquisitions & transition        | 5                                                  |             |
| Financing costs, net                     | 45                                                 | 59          |
|                                          | 1,998                                              | 1,466       |
| INCOME BEFORE INCOME TAXES               | 1,927                                              | 1,207       |
| Current income tax provision             | 643                                                | 343         |
| Deferred income tax provision            | 150                                                | 159         |
| NET INCOME                               | 1,134                                              | 705         |
| Preferred stock dividends                | 19                                                 |             |
| INCOME ATTRIBUTABLE TO COMMON STOCK      | \$ 1,115                                           | \$ 705      |
| NET INCOME PER COMMON SHARE:             |                                                    |             |
| Basic                                    | \$ 2.91                                            | \$ 2.09     |
| Diluted                                  | \$ 2.86                                            | \$ 2.08     |

The accompanying notes to consolidated financial statements  
are an integral part of this statement.

Table of Contents

**APACHE CORPORATION AND SUBSIDIARIES**  
**STATEMENT OF CONSOLIDATED CASH FLOWS**  
**(Unaudited)**

|                                                                                   | <b>For the Quarter Ended March<br/>31,</b> |                 |
|-----------------------------------------------------------------------------------|--------------------------------------------|-----------------|
|                                                                                   | <b>2011</b>                                | <b>2010</b>     |
|                                                                                   | <b>(In millions)</b>                       |                 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                      |                                            |                 |
| Net income                                                                        | \$ 1,134                                   | \$ 705          |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                            |                 |
| Depreciation, depletion and amortization                                          | 936                                        | 639             |
| Asset retirement obligation accretion                                             | 37                                         | 24              |
| Provision for deferred income taxes                                               | 150                                        | 159             |
| Other                                                                             | (14)                                       | 42              |
| Changes in operating assets and liabilities:                                      |                                            |                 |
| Receivables                                                                       | (357)                                      | (269)           |
| Inventories                                                                       | (26)                                       | (8)             |
| Drilling advances                                                                 | (18)                                       | 4               |
| Deferred charges and other                                                        | 104                                        | 4               |
| Accounts payable                                                                  | 95                                         | 116             |
| Accrued expenses                                                                  | (65)                                       | (274)           |
| Deferred credits and noncurrent liabilities                                       | 3                                          | 12              |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                                  | <b>1,979</b>                               | <b>1,154</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                      |                                            |                 |
| Additions to oil and gas property                                                 | (1,571)                                    | (959)           |
| Additions to gas gathering, transmission and processing facilities                | (125)                                      | (115)           |
| Other                                                                             | (53)                                       | 26              |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                                      | <b>(1,749)</b>                             | <b>(1,048)</b>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                      |                                            |                 |
| Commercial paper, credit facility and bank notes, net                             | 19                                         | (3)             |
| Dividends paid                                                                    | (76)                                       | (50)            |
| Common stock activity                                                             | 26                                         | 11              |
| Treasury stock activity, net                                                      | 4                                          | 1               |
| Other                                                                             | 19                                         | 13              |
| <b>NET CASH USED IN FINANCING ACTIVITIES</b>                                      | <b>(8)</b>                                 | <b>(28)</b>     |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                                  | <b>222</b>                                 | <b>78</b>       |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>                             | <b>134</b>                                 | <b>2,048</b>    |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>                                 | <b>\$ 356</b>                              | <b>\$ 2,126</b> |

SUPPLEMENTARY CASH FLOW DATA:

|                                            |    |     |    |     |
|--------------------------------------------|----|-----|----|-----|
| Interest paid, net of capitalized interest | \$ | 73  | \$ | 74  |
| Income taxes paid, net of refunds          |    | 448 |    | 293 |

The accompanying notes to consolidated financial statements  
are an integral part of this statement.

Table of Contents

**APACHE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**  
**(Unaudited)**

|                                                                           | March<br>31,<br>2011 | December<br>31,<br>2010 |
|---------------------------------------------------------------------------|----------------------|-------------------------|
|                                                                           | (In millions)        |                         |
| ASSETS                                                                    |                      |                         |
| CURRENT ASSETS:                                                           |                      |                         |
| Cash and cash equivalents                                                 | \$ 356               | \$ 134                  |
| Receivables, net of allowance                                             | 2,490                | 2,134                   |
| Inventories                                                               | 593                  | 564                     |
| Drilling advances                                                         | 277                  | 259                     |
| Prepaid assets and other                                                  | 285                  | 389                     |
|                                                                           | 4,001                | 3,480                   |
| PROPERTY AND EQUIPMENT:                                                   |                      |                         |
| Oil and gas, on the basis of full-cost accounting:                        |                      |                         |
| Proved properties                                                         | 59,397               | 57,904                  |
| Unproved properties and properties under development, not being amortized | 5,237                | 5,048                   |
| Gathering, transmission and processing facilities                         | 4,337                | 4,212                   |
| Other                                                                     | 606                  | 582                     |
|                                                                           | 69,577               | 67,746                  |
| Less: Accumulated depreciation, depletion and amortization                | (30,531)             | (29,595)                |
|                                                                           | 39,046               | 38,151                  |
| OTHER ASSETS:                                                             |                      |                         |
| Goodwill                                                                  | 1,032                | 1,032                   |
| Deferred charges and other                                                | 787                  | 762                     |
|                                                                           | \$ 44,866            | \$ 43,425               |
| LIABILITIES AND SHAREHOLDERS' EQUITY                                      |                      |                         |
| CURRENT LIABILITIES:                                                      |                      |                         |
| Accounts payable                                                          | \$ 906               | \$ 779                  |
| Accrued operating expense                                                 | 191                  | 163                     |
| Accrued exploration and development                                       | 1,399                | 1,367                   |
| Accrued compensation and benefits                                         | 131                  | 231                     |
| Current debt                                                              | 30                   | 46                      |
| Current asset retirement obligation                                       | 373                  | 407                     |
| Derivative instruments                                                    | 491                  | 194                     |
| Other                                                                     | 436                  | 337                     |
|                                                                           | 3,957                | 3,524                   |

|                                                                                                                                                                                              |           |           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| LONG-TERM DEBT                                                                                                                                                                               | 8,130     | 8,095     |
| DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES:                                                                                                                                           |           |           |
| Income taxes                                                                                                                                                                                 | 4,265     | 4,249     |
| Asset retirement obligation                                                                                                                                                                  | 2,482     | 2,465     |
| Other                                                                                                                                                                                        | 834       | 715       |
|                                                                                                                                                                                              | 7,581     | 7,429     |
| COMMITMENTS AND CONTINGENCIES (Note 7)                                                                                                                                                       |           |           |
| SHAREHOLDERS' EQUITY:                                                                                                                                                                        |           |           |
| Preferred stock, no par value, 5,000,000 shares authorized, 6% Cumulative Mandatory Convertible, Series D, \$1,000 per share liquidation preference, 1,265,000 shares issued and outstanding | 1,227     | 1,227     |
| Common stock, \$0.625 par, 430,000,000 shares authorized, 384,557,618 and 383,668,297 shares issued, respectively                                                                            | 240       | 240       |
| Paid-in capital                                                                                                                                                                              | 8,928     | 8,864     |
| Retained earnings                                                                                                                                                                            | 15,281    | 14,223    |
| Treasury stock, at cost, 1,179,647 and 1,276,555 shares, respectively                                                                                                                        | (33)      | (36)      |
| Accumulated other comprehensive loss                                                                                                                                                         | (445)     | (141)     |
|                                                                                                                                                                                              | 25,198    | 24,377    |
|                                                                                                                                                                                              | \$ 44,866 | \$ 43,425 |

The accompanying notes to consolidated financial statements  
are an integral part of this statement.

Table of Contents

**APACHE CORPORATION AND SUBSIDIARIES**  
**STATEMENT OF CONSOLIDATED SHAREHOLDERS' EQUITY**  
**(Unaudited)**

|                                                            | Comprehensive<br>Income | Series D<br>Preferred<br>Stock | Common<br>Stock | Paid-In<br>Capital | Retained<br>Earnings<br>(In millions) | Treasury<br>Stock | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Total<br>Shareholders'<br>Equity |
|------------------------------------------------------------|-------------------------|--------------------------------|-----------------|--------------------|---------------------------------------|-------------------|-----------------------------------------------------------|----------------------------------|
| BALANCE AT<br>DECEMBER 31,<br>2009                         |                         | \$                             | \$ 215          | \$ 4,634           | \$ 11,437                             | \$ (217)          | \$ (290)                                                  | \$ 15,779                        |
| Comprehensive<br>income:                                   |                         |                                |                 |                    |                                       |                   |                                                           |                                  |
| Net income                                                 | \$ 705                  |                                |                 |                    | 705                                   |                   |                                                           | 705                              |
| Commodity hedges,<br>net of income tax<br>expense of \$111 | 250                     |                                |                 |                    |                                       |                   | 250                                                       | 250                              |
| Comprehensive<br>income                                    | \$ 955                  |                                |                 |                    |                                       |                   |                                                           |                                  |
| Common stock<br>dividends (\$.15 per<br>share)             |                         |                                |                 |                    | (51)                                  |                   |                                                           | (51)                             |
| Common shares<br>issued                                    |                         |                                |                 | 12                 |                                       |                   |                                                           | 12                               |
| Treasury shares<br>issued, net                             |                         |                                |                 | 1                  |                                       | 1                 |                                                           | 2                                |
| Compensation<br>expense                                    |                         |                                |                 | 61                 |                                       |                   |                                                           | 61                               |
| BALANCE AT<br>MARCH 31, 2010                               |                         | \$                             | \$ 215          | \$ 4,708           | \$ 12,091                             | \$ (216)          | \$ (40)                                                   | \$ 16,758                        |
| BALANCE AT<br>DECEMBER 31,<br>2010                         |                         | \$ 1,227                       | \$ 240          | \$ 8,864           | \$ 14,223                             | \$ (36)           | \$ (141)                                                  | \$ 24,377                        |
| Comprehensive<br>income:                                   |                         |                                |                 |                    |                                       |                   |                                                           |                                  |
| Net income                                                 | \$ 1,134                |                                |                 |                    | 1,134                                 |                   |                                                           | 1,134                            |
| Commodity hedges,<br>net of income tax<br>benefit of \$131 | (304)                   |                                |                 |                    |                                       |                   | (304)                                                     | (304)                            |
|                                                            | \$ 830                  |                                |                 |                    |                                       |                   |                                                           |                                  |

Comprehensive  
income

Cash dividends:

|           |      |      |
|-----------|------|------|
| Preferred | (19) | (19) |
|-----------|------|------|

|                          |      |      |
|--------------------------|------|------|
| Common (\$.15 per share) | (58) | (58) |
|--------------------------|------|------|

|                      |    |    |
|----------------------|----|----|
| Common shares issued | 16 | 16 |
|----------------------|----|----|

|                             |   |   |   |
|-----------------------------|---|---|---|
| Treasury shares issued, net | 3 | 3 | 6 |
|-----------------------------|---|---|---|

|                      |    |    |
|----------------------|----|----|
| Compensation expense | 45 | 45 |
|----------------------|----|----|

|       |   |   |
|-------|---|---|
| Other | 1 | 1 |
|-------|---|---|

|                              |          |        |          |           |         |          |           |
|------------------------------|----------|--------|----------|-----------|---------|----------|-----------|
| BALANCE AT<br>MARCH 31, 2011 | \$ 1,227 | \$ 240 | \$ 8,928 | \$ 15,281 | \$ (33) | \$ (445) | \$ 25,198 |
|------------------------------|----------|--------|----------|-----------|---------|----------|-----------|

The accompanying notes to consolidated financial statements  
are an integral part of this statement.

**Table of Contents**

**APACHE CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)**

These financial statements have been prepared by Apache Corporation (Apache or the Company) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). They reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the interim periods, on a basis consistent with the annual audited financial statements. All such adjustments are of a normal recurring nature. Certain information, accounting policies and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) have been omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. This Quarterly Report on Form 10-Q should be read along with the Amended Annual Report on Form 10-K/A for the fiscal year ended December 31, 2010, which contains a summary of the Company's significant accounting policies and other disclosures. Additionally, the Company's financial statements for prior periods include reclassifications that were made to conform to the current-period presentation.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As of March 31, 2011, Apache's significant accounting policies are consistent with those discussed in Note 1 of its consolidated financial statements contained in the Amended Annual Report on Form 10-K/A for the fiscal year ended December 31, 2010.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates with regard to these financial statements include fair value of acquired assets and liabilities, the estimate of proved oil and gas reserves and related present value estimates of future net cash flow therefrom, asset retirement obligations and income taxes. Actual results could differ from those estimates.

**2. ACQUISITIONS AND DIVESTITURES**

**2011 Activity**

***Kitimat LNG Project***

In 2010 Apache Canada Ltd. (Apache Canada) and EOG Resources Canada, Inc. (EOG Canada), through their subsidiaries, purchased 51-percent and 49-percent interests, respectively, in a planned liquefied natural gas (LNG) export terminal (Kitimat LNG facility) and 25.5-percent and 24.5-percent interests, respectively, in Pacific Trail Pipelines Limited Partnership (PTP), a partnership that owns a related proposed pipeline. In February 2011, in order to align ownership and interests on the planned facility and pipeline development, Apache Canada and EOG Canada agreed to purchase Pacific Northern Gas Ltd.'s (PNG) remaining interest in PTP for \$50 million. Following the close of the acquisition, Apache and EOG owned 51-percent and 49-percent interests, respectively, in PTP and secured full ownership in the proposed pipeline to transport natural gas from production areas to the Kitimat LNG facility. Under the terms of the agreement, PNG will operate and maintain the pipeline under a seven-year agreement with provisions for five-year renewals.

In March 2011, Apache Canada and EOG Canada announced that Encana Corporation agreed to purchase a 30-percent working interest ownership in both the Kitimat LNG facility and PTP. Under the new ownership agreement, Apache retained a 40-percent interest in both the facility and the related pipeline while EOG retained a 30-percent interest.

**2010 Activity**

During 2010 Apache completed the following material transactions:

***Gulf of Mexico Shelf Acquisition***

In June 2010 Apache completed an acquisition of oil and gas assets on the Gulf of Mexico shelf from Devon Energy Corporation (Devon) for \$1.05 billion, subject to normal post-closing adjustments. The acquisition was effective January 1, 2010 and was funded primarily from existing cash balances.



**Table of Contents*****BP Acquisitions***

In July 2010 Apache entered into three definitive purchase and sale agreements to acquire properties from subsidiaries of BP plc (collectively referred to as BP) for aggregate consideration of \$7.0 billion. The effective date of the transactions was July 1, 2010. The acquisition of BP's oil and gas operations, related infrastructure and acreage in the Permian Basin of west Texas and New Mexico was completed on August 10, 2010, for an agreed-upon purchase price of \$3.1 billion. Apache completed the acquisition of substantially all of BP's Western Canadian upstream natural gas assets on October 8, 2010, for \$3.25 billion. On November 4, 2010, the Company completed the acquisition of BP's interests in four development licenses and one exploration concession in the Western Desert of Egypt for \$650 million. Preferential purchase rights for \$658 million of the value of the Permian Basin properties were exercised, and accordingly, the aggregate purchase price for all three transactions was reduced to approximately \$6.4 billion, subject to normal post-closing adjustments.

The acquisitions were funded by issuing a combination of common stock and mandatory convertible preferred shares, issuing new term debt and commercial paper, and using existing cash balances.

***Mariner Energy, Inc. Merger***

In November 2010 Apache acquired Mariner Energy, Inc. (Mariner), an independent exploration and production company, in a stock and cash transaction totaling \$2.7 billion. The Company also assumed approximately \$1.7 billion of Mariner's debt with the merger. Mariner's oil and gas properties are primarily located in the Gulf of Mexico deepwater and shelf, the Permian Basin and onshore in the Gulf Coast region. The transaction was accounted for using the acquisition method of accounting, which requires that assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. Certain assets and liabilities may be adjusted as additional information is obtained, but no later than one year from the acquisition date.

***Pro Forma Impact of Acquisitions (Unaudited)***

The Devon acquisition, BP acquisitions and Mariner merger were completed subsequent to the first quarter of 2010. The following table presents pro forma information for Apache as if the acquisitions and merger occurred prior to January 1, 2010:

|                                     | <b>For the<br/>Quarter<br/>Ended<br/>March 31, 2010<br/>(In millions,<br/>except per<br/>share<br/>amounts)</b> |
|-------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| Revenues and Other                  | \$ 3,261                                                                                                        |
| Net Income                          | \$ 792                                                                                                          |
| Preferred Stock Dividends           | 19                                                                                                              |
| Income Attributable to Common Stock | 773                                                                                                             |
| Net Income per Common Share Basic   | \$ 2.03                                                                                                         |
| Net Income per Common Share Diluted | \$ 2.00                                                                                                         |

Apache's historical financial information was adjusted to give effect to the pro forma events that were directly attributable to the acquisitions and merger and factually supportable. The unaudited pro forma consolidated results are not necessarily indicative of what the Company's consolidated results of operations actually would have been had the acquisitions and merger been completed prior to January 1, 2010. In addition, the unaudited pro forma consolidated

results do not purport to project the future results of operations of the combined company. Adjustments and assumptions made for this pro forma calculation are consistent with those used in the Company's annual pro forma information as more fully described in Note 2 of the financial statements in Apache's Amended Annual Report on Form 10-K/A for its 2010 fiscal year.

**Table of Contents****3. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES****Objectives and Strategies**

The Company is exposed to fluctuations in crude oil and natural gas prices on the majority of its worldwide production. Management believes it is prudent to manage the variability in cash flows by entering into derivative instruments on a portion of its crude oil and natural gas production. The Company utilizes various types of derivative financial instruments, including swaps and options, to manage fluctuations in cash flows resulting from changes in commodity prices. Derivatives entered into are typically designated as cash flow hedges.

**Counterparty Risk**

The use of derivative instruments exposes the Company to counterparty credit risk, or the risk that a counterparty will be unable to meet its commitments. To reduce the concentration of exposure to any individual counterparty, Apache utilizes a diversified group of investment-grade rated counterparties, primarily financial institutions, for its derivative transactions. As of March 31, 2011, Apache had derivative positions with 20 counterparties. The Company monitors counterparty creditworthiness on an ongoing basis; however, it cannot predict sudden changes in counterparties' creditworthiness. In addition, even if such changes are not sudden, the Company may be limited in its ability to mitigate an increase in counterparty credit risk. Should one of these counterparties not perform, Apache may not realize the benefit of some of its derivative instruments resulting from lower commodity prices.

The Company executes commodity derivative transactions under master agreements that have netting provisions that provide for offsetting payables against receivables. In general, if a party to a derivative transaction incurs a material deterioration in its credit ratings, as defined in the applicable agreement, the other party has the right to demand the posting of collateral, demand a transfer or terminate the arrangement.

**Derivative Instruments**

As of March 31, 2011, Apache had the following open natural gas derivative positions:

| Production | Fixed-Price Swaps |            |                                             | Collars    |            |                                             |                                               |
|------------|-------------------|------------|---------------------------------------------|------------|------------|---------------------------------------------|-----------------------------------------------|
|            | MMBtu             | GJ         | Weighted Average Fixed Price <sup>(1)</sup> | MMBtu      | GJ         | Weighted Average Floor Price <sup>(1)</sup> | Weighted Average Ceiling Price <sup>(1)</sup> |
| Period     | (in 000 s)        | (in 000 s) |                                             | (in 000 s) | (in 000 s) |                                             |                                               |
| 2011       | 55,699            |            | \$ 5.99                                     | 6,875      |            | \$ 5.00                                     | \$ 8.85                                       |
| 2011       |                   | 38,500     | C\$ 6.26                                    |            | 2,750      | C\$ 6.50                                    | C\$ 7.10                                      |
| 2012       | 41,554            |            | \$ 6.30                                     | 21,960     |            | \$ 5.54                                     | \$ 7.30                                       |
| 2012       |                   | 43,920     | C\$ 6.61                                    |            | 7,320      | C\$ 6.50                                    | C\$ 7.27                                      |
| 2013       | 7,665             |            | \$ 6.83                                     | 6,825      |            | \$ 5.35                                     | \$ 6.67                                       |
| 2014       | 755               |            | \$ 7.23                                     |            |            | \$                                          | \$                                            |

- <sup>(1)</sup> U.S. natural gas prices represent a weighted average of several contracts entered into on a per million British thermal units (MMBtu) basis and are settled primarily against NYMEX Henry Hub and various Inside FERC indices. The Canadian gas contracts are entered into on a per gigajoule (GJ) basis and are settled against AECO Index. The Canadian natural gas prices represent a weighted average of AECO Index prices and are shown in Canadian dollars.

As of March 31, 2011, Apache had the following open crude oil derivative positions:

| Production | Fixed-Price Swaps |                                             |        | Collars                                     |                                               |
|------------|-------------------|---------------------------------------------|--------|---------------------------------------------|-----------------------------------------------|
|            |                   | Weighted Average Fixed Price <sup>(1)</sup> |        | Weighted Average Floor Price <sup>(1)</sup> | Weighted Average Ceiling Price <sup>(1)</sup> |
| Period     | Mbbls             |                                             | Mbbls  |                                             |                                               |
| 2011       | 4,127             | \$ 73.57                                    | 22,595 | \$ 69.15                                    | \$ 96.66                                      |
| 2012       | 3,786             | 72.26                                       | 9,142  | 69.30                                       | 98.11                                         |

Edgar Filing: APACHE CORP - Form 10-Q

|      |       |       |       |       |        |
|------|-------|-------|-------|-------|--------|
| 2013 | 1,860 | 74.38 | 2,416 | 78.02 | 103.06 |
| 2014 | 76    | 74.50 |       |       |        |

- (1) Crude oil prices represent a weighted average of several contracts entered into on a per barrel basis. Crude oil contracts are primarily settled against NYMEX WTI Cushing Index. A portion of 2011 contracts are settled against Dated Brent.

Apache North Sea Ltd has entered into a physical sales contract to deliver 20,000 barrels of oil per day in 2011, settled against Dated Brent with a floor price of \$70 per barrel and an average ceiling price of \$98.56 per barrel. These sales are in the normal course of business and are recognized in oil and gas revenues on an accrual basis.

**Table of Contents****Fair Values of Derivative Instruments Recorded in the Consolidated Balance Sheet**

The Company accounts for derivative instruments and hedging activity in accordance with Accounting Standards Codification (ASC) Topic 815, Derivatives and Hedging, and all derivative instruments are reflected as either assets or liabilities at fair value in the consolidated balance sheet. These fair values are recorded by netting asset and liability positions where counterparty master netting arrangements contain provisions for net settlement. The fair market value of the Company's derivative assets and liabilities and their locations on the consolidated balance sheet are as follows:

|                                             | <b>March<br/>31,<br/>2011</b> | <b>December<br/>31,<br/>2010</b> |
|---------------------------------------------|-------------------------------|----------------------------------|
|                                             | <b>(In millions)</b>          |                                  |
| Current Assets: Prepaid assets and other    | \$ 144                        | \$ 167                           |
| Other Assets: Deferred charges and other    | 108                           | 139                              |
| <b>Total Assets</b>                         | <b>\$ 252</b>                 | <b>\$ 306</b>                    |
| Current Liabilities: Derivative instruments | \$ 491                        | \$ 194                           |
| Noncurrent Liabilities: Other               | 217                           | 124                              |
| <b>Total Liabilities</b>                    | <b>\$ 708</b>                 | <b>\$ 318</b>                    |

The methods and assumptions used to estimate the fair values of the Company's commodity derivative instruments and gross amounts of commodity derivative assets and liabilities are more fully discussed in Note 9 Fair Value Measurements.

**Derivative Activity Recorded in Statement of Consolidated Operations**

The following table summarizes the effect of derivative instruments on the Company's statement of consolidated operations:

|                                                                                                                 | <b>Gain (Loss) on Derivatives<br/>Recognized In Income</b> | <b>For the Quarter<br/>Ended<br/>March 31,<br/>2011 2010<br/>(In millions)</b> |
|-----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|--------------------------------------------------------------------------------|
| Gain (loss) reclassified from accumulated other comprehensive income (loss) into operations (effective portion) | Oil and Gas Production Revenues                            | \$ 6 \$ (1)                                                                    |
| Gain (loss) on derivatives recognized in operations (ineffective portion and basis)                             | Revenues and Other: Other                                  | \$ (3) \$ (1)                                                                  |

**Derivative Activity in Accumulated Other Comprehensive Income (Loss)**

A reconciliation of the components of accumulated other comprehensive income (loss) in the statement of consolidated shareholders' equity related to Apache's cash flow hedges is presented in the table below:

|                                                              | For the Quarter Ended March 31, |              |               |              |
|--------------------------------------------------------------|---------------------------------|--------------|---------------|--------------|
|                                                              | 2011                            |              | 2010          |              |
|                                                              | Before<br>tax                   | After<br>tax | Before<br>tax | After<br>tax |
|                                                              | (In millions)                   |              |               |              |
| Unrealized gain (loss) on derivatives at beginning of period | \$ (54)                         | \$ (19)      | \$ (267)      | \$ (170)     |
| Realized amounts reclassified into earnings                  | (6)                             | (4)          | 1             | 1            |

Edgar Filing: APACHE CORP - Form 10-Q

|                                                            |          |          |       |       |
|------------------------------------------------------------|----------|----------|-------|-------|
| Net change in derivative fair value                        | (432)    | (302)    | 359   | 249   |
| Ineffectiveness and basis swaps reclassified into earnings | 3        | 2        | 1     |       |
| Unrealized gain (loss) on derivatives at end of period     | \$ (489) | \$ (323) | \$ 94 | \$ 80 |

Gains and losses on existing hedges will be realized in future earnings through mid-2014, in the same period as the related sales of natural gas and crude oil production occur. Included in accumulated other comprehensive loss as of March 31, 2011, is a net loss of approximately \$360 million (\$248 million after tax) that applies to the next 12 months; however, estimated and actual amounts are likely to vary materially as a result of changes in market conditions.

**Table of Contents****4. ASSET RETIREMENT OBLIGATION**

The following table describes changes to the Company's asset retirement obligation (ARO) liability for the quarter ended March 31, 2011:

|                                                  | (In millions) |
|--------------------------------------------------|---------------|
| Asset retirement obligation at December 31, 2010 | \$ 2,872      |
| Liabilities incurred                             | 98            |
| Liabilities settled                              | (152)         |
| Accretion expense                                | 37            |
| Asset retirement obligation at March 31, 2011    | 2,855         |
| Less current portion                             | (373)         |
| Asset retirement obligation, long-term           | \$ 2,482      |

**5. DEBT AND FINANCING COSTS**

The following table presents the carrying amounts and estimated fair values of the Company's outstanding debt at March 31, 2011 and December 31, 2010:

|                              | March 31, 2011  |            | December 31, 2010 |            |
|------------------------------|-----------------|------------|-------------------|------------|
|                              | Carrying Amount | Fair Value | Carrying Amount   | Fair Value |
|                              | (In millions)   |            |                   |            |
| Money market lines of credit | \$ 30           | \$ 30      | \$ 46             | \$ 46      |
| Commercial paper             | 947             | 947        | 913               | 913        |
| Notes and debentures         | 7,183           | 7,672      | 7,182             | 7,870      |
| Total Debt                   | \$ 8,160        | \$ 8,649   | \$ 8,141          | \$ 8,829   |

The Company's debt is recorded at the carrying amount on its consolidated balance sheet, net of unamortized discount. The carrying amount of the Company's money market lines of credit and commercial paper approximates fair value because the interest rates are variable and reflective of market rates. Apache uses a market approach to determine the fair value of its notes and debentures using estimates provided by an independent investment financial data services firm (a Level 2 fair value measurement). For further discussion on determining fair value, please see Note 9 Fair Value Measurements.

As of March 31, 2011, the Company had unsecured committed revolving syndicated bank credit facilities totaling \$3.3 billion, of which \$1.0 billion matures in August 2011 and \$2.3 billion matures in May 2013. The facilities consist of a \$1.0 billion 364-day facility, a \$1.5 billion facility and a \$450 million facility in the U.S., a \$200 million facility in Australia and a \$150 million facility in Canada. As of March 31, 2011, available borrowing capacity under the Company's credit facilities was \$2.4 billion. The U.S. credit facilities are used to support Apache's commercial paper program.

The Company has available a \$2.95 billion commercial paper program, which generally enables Apache to borrow funds for up to 270 days at competitive interest rates. The commercial paper program is fully supported by available borrowing capacity under U.S. committed credit facilities, which expire in 2011 and 2013. As of March 31, 2011, the Company had \$947 million in commercial paper outstanding, compared with \$913 million outstanding as of December 31, 2010.

As of March 31, 2011, there was \$30 million borrowed on uncommitted overdraft lines in Canada and Argentina. As of December 31, 2010, there was \$46 million drawn on uncommitted overdraft lines in the U.S. and Argentina.

**Financing Costs**

Financing costs incurred during the periods noted are composed of the following:

|                                     | <b>For the Quarter Ended<br/>March 31,</b> |             |
|-------------------------------------|--------------------------------------------|-------------|
|                                     | <b>2011</b>                                | <b>2010</b> |
|                                     | <b>(In millions)</b>                       |             |
| Interest expense                    | \$ 108                                     | \$ 77       |
| Amortization of deferred loan costs | 1                                          | 1           |
| Capitalized interest                | (60)                                       | (17)        |
| Interest income                     | (4)                                        | (2)         |
| Financing costs, net                | \$ 45                                      | \$ 59       |

**Table of Contents****6. INCOME TAXES**

The Company estimates its annual effective income tax rate in recording its quarterly provision for income taxes in the various jurisdictions in which the Company operates. Statutory tax rate changes and other significant or unusual items are recognized as discrete items in the quarter in which they occur. There were no significant discrete tax events that occurred during the first quarter of 2011 and 2010.

In March 2011 the U.K. government proposed a 12-percent increase to the supplementary tax rate applied to North Sea oil and gas profits. The legislation is expected to be enacted in the third quarter of 2011. Upon enactment, the Company will adjust its outstanding deferred tax liabilities and will record a non-recurring charge to tax expense in that quarter. The enacted tax rate change will also increase the provision for income taxes in the Company's consolidated financial statements for periods the rate is effective. The Company estimates the proposed legislation to result in additional tax expense in 2011 of \$300 to \$350 million based on current forecasts.

Apache and its subsidiaries are subject to U.S. federal income tax as well as income or capital taxes in various state and foreign jurisdictions. The Company's tax reserves are related to tax years that may be subject to examination by the relevant taxing authority. The Company is in Administrative Appeals with the United States Internal Revenue Service (IRS) regarding the 2004 through 2007 tax years and under audit for the 2008 tax year. The Company is also under audit in various states and in most of the Company's foreign jurisdictions as part of its normal course of business.

**7. COMMITMENTS AND CONTINGENCIES****Legal Matters**

Apache is party to various legal actions arising in the ordinary course of business, including litigation and governmental and regulatory controls. The Company has an accrued liability of approximately \$15 million for all legal contingencies that are deemed to be probable of occurring and can be reasonably estimated. Apache's estimates are based on information known about the matters and its experience in contesting, litigating and settling similar matters. Although actual amounts could differ from management's estimate, none of the actions are believed by management to involve future amounts that would be material to Apache's financial position or results of operations after consideration of recorded accruals. It is management's opinion that the loss for any other litigation matters and claims that are reasonably possible to occur will not have a material adverse effect on the Company's financial position or results of operations.

***Argentine Environmental Claims***

As more fully described in Note 8 of the financial statements in our Amended Annual Report on Form 10-K/A for our 2010 fiscal year, in connection with the Pioneer acquisition in 2006, the Company acquired a subsidiary of Pioneer in Argentina (PNRA) that is involved in various administrative proceedings with environmental authorities in the Neuquén Province relating to permits for and discharges from operations in that province. In addition, PNRA was named in a suit initiated against oil companies operating in the Neuquén basin entitled *Asociación de Superficiarios de la Patagonia v. YPF S.A., et. al.*, originally filed on August 21, 2003, in the Argentine National Supreme Court of Justice relating to various environmental and remediation claims. No material change in the status of these matters has occurred since the filing of our most recent Amended Annual Report on Form 10-K/A, except as follows:

***Louisiana Restoration***

As more fully described in Note 8 of the financial statements in our Amended Annual Report on Form 10-K/A for our 2010 fiscal year, numerous surface owners have filed claims or sent demand letters to various oil and gas companies, including Apache, claiming that, under either expressed or implied lease terms or Louisiana law, they are liable for damage measured by the cost of restoration of leased premises to their original condition as well as damages for contamination and cleanup. No material change in the status of these matters has occurred since the filing of our most recent Amended Annual Report on Form 10-K/A.

## **Table of Contents**

### ***Australia Gas Pipeline Force Majeure***

As more fully described in Note 8 of the financial statements in our Amended Annual Report on Form 10-K/A for our 2010 fiscal year, in 2008 Company subsidiaries reported a pipeline explosion that interrupted deliveries of natural gas in Australia to customers under various long-term contracts. No material change in the status of these matters has occurred since the filing of our most recent Amended Annual Report on Form 10-K/A except as follows:

In the first quarter of 2011, Apache Northwest Pty Ltd and Apache Energy Limited were served with a lawsuit captioned *Alcoa of Australia Limited vs. Apache Energy Limited, Apache Northwest Pty Ltd, Tap (Harriet) Pty Ltd, and Kufpec Australia Pty Ltd*, Civ. 1481 of 2011, in the Supreme Court of Western Australia. The lawsuit concerns the pipeline explosion at Varanus Island in Western Australia on June 3, 2008 that interrupted deliveries of natural gas to Alcoa under two long-term contracts. Alcoa challenges the declaration of force majeure and the validity of the liquidated damages provisions in the contracts. Alcoa asserts claims based on breach of contract, statutory duties, and duty of care. Alcoa seeks approximately \$158 million AUD in general damages or, alternatively, approximately \$5.7 million AUD in liquidated damages. Apache Northwest and Apache Energy do not believe that Alcoa's claims have merit and will vigorously pursue their defenses against such claims.

In reference to the pipeline license described in Note 8 of the financial statements in our Amended Annual Report on Form 10-K/A for our 2010 fiscal year, the application by Apache Northwest Pty Ltd, Kufpec Australia Pty Ltd, and Tap (Harriet) Pty Ltd for renewal and variation of the pipeline license covering the area of the Varanus Island facility was granted on April 19, 2011 by the Government of Western Australia, Department of Mines and Petroleum. The period of the license is 21 years commencing April 20, 2011.

### ***Mariner Stockholder Lawsuits***

As more fully described in Note 8 of the financial statements in our Amended Annual Report on Form 10-K/A for our 2010 fiscal year, in connection with the Mariner merger, two shareholder lawsuits styled as class actions were filed against Mariner and its board of directors. These lawsuits have been settled and will not have a material impact on Apache. On March 14, 2011, the Court of Chancery in the State of Delaware certified the settlement class and approved the parties' settlement. An Order and Final Judgment was entered by such Court on March 15, 2011. The plaintiffs in the related action in the District Court of Harris County, Texas, filed a notice of nonsuit resulting in the Court's dismissal of the case with prejudice, thus concluding the matter.

### ***Escheat Audits***

The State of Delaware, Department of Finance, Division of Revenue (Unclaimed Property), has notified numerous companies, including Apache Corporation, that the State intends to examine its books and records and those of its subsidiaries and related entities to determine compliance with the Delaware Escheat Laws. The review will be conducted by Kelmar Associates on behalf of the State. At least 30 other states have retained their own consultants and have sent similar notifications. The scope of each state's audit varies. The State of Delaware advises, for example, that the scope of its examination will be for the period 1981 through the present. It is possible that one or more of the State audits could extend to all 50 states.

### **Environmental Matters**

As of March 31, 2011, the Company had an undiscounted reserve for environmental remediation of approximately \$135 million. The Company is not aware of any environmental claims existing as of March 31, 2011, that have not been provided for or would otherwise have a material impact on its financial position or results of operations. There can be no assurance, however, that current regulatory requirements will not change or past non-compliance with environmental laws will not be discovered on the Company's properties.

Apache Canada Ltd. has asserted a claim against BP Canada arising out of the acquisition of certain Canadian properties under the parties' Partnership Interest and Share Purchase and Sale Agreement dated July 20, 2010. The dispute centers on Apache Canada Ltd.'s identification of Alleged Adverse Conditions, as that term is defined in the parties' agreement, and more specifically the contention that liabilities associated with such conditions were retained by BP Canada as seller. Apache Canada Ltd. is diligently pursuing this claim.

On March 4, 2011, Mariner Energy, Inc. (MEI) (predecessor in interest to Apache Deepwater LLC) received notice of a civil penalty assessment in the amount of \$460,000 in relation to an Incident of Noncompliance dated August 5, 2010 at High Island Area Block 116, Platform B, Lease No. OCS-G 06156, in Civil Penalty Case G-2010-023. The

civil penalty assessment concerned sustained casing pressure and the basis of the assessment was 30 CFR 250.107(a). The March 4, 2011, notice advised MEI of the initiation of administrative civil penalty proceedings. Within 30 days from the date of the notice MEI paid the assessment, thus concluding the matter.

**Table of Contents****8. CAPITAL STOCK****Net Income per Common Share**

A reconciliation of the components of basic and diluted net income per common share for the quarters ended March 31, 2011 and 2010 is presented in the table below.

|                                                                       | For the Quarter Ended March 31, |                |           |        |                |           |
|-----------------------------------------------------------------------|---------------------------------|----------------|-----------|--------|----------------|-----------|
|                                                                       | Income                          | 2011<br>Shares | Per Share | Income | 2010<br>Shares | Per Share |
| (In millions, except per share amounts)                               |                                 |                |           |        |                |           |
| <b>Basic:</b>                                                         |                                 |                |           |        |                |           |
| Income attributable to common stock                                   | \$ 1,115                        | 383            | \$ 2.91   | \$ 705 | 337            | \$ 2.09   |
| <b>Effect of Dilutive Securities:</b>                                 |                                 |                |           |        |                |           |
| Mandatory Convertible Preferred Stock                                 | 19                              | 12             |           |        |                |           |
| Stock options and other                                               |                                 | 2              |           |        | 2              |           |
| <b>Diluted:</b>                                                       |                                 |                |           |        |                |           |
| Income attributable to common stock,<br>including assumed conversions | \$ 1,134                        | 397            | \$ 2.86   | \$ 705 | 339            | \$ 2.08   |

The diluted earnings per share calculation excludes options and restricted stock units that were anti-dilutive totaling 1.6 million for each of the quarters ending March 31, 2011 and 2010.

**Issuance of Common and Preferred Shares**

In July 2010, in conjunction with Apache's acquisition of properties from BP, the Company issued 26.45 million shares of common stock, as well as 25.3 million depositary shares, each representing a 1/20<sup>th</sup> interest in a share of Apache's 6.00-percent Mandatory Convertible Preferred Stock, Series D, or 1.265 million Preferred Shares. Each outstanding Preferred Share will, on August 1, 2013, automatically convert into a minimum of 9.164 or a maximum of 11.364 shares of Apache common stock depending on an average underlying price of the common stock immediately preceding the conversion.

In November 2010, in connection with the Mariner merger, Apache issued 17.3 million shares of common stock in exchange for Mariner common and restricted stock. For further discussion of the BP acquisitions and Mariner merger, please see Note 2 Acquisitions and Divestitures.

**Common and Preferred Stock Dividends**

During the first quarters of 2011 and 2010, Apache paid \$57 million and \$50 million, respectively, in dividends on its common stock. In the first quarter of 2011, the Company also paid a total of \$19 million in dividends on its Series D Preferred Stock.

**Conditional Restricted Stock Units**

To provide long-term incentives for Apache employees to deliver competitive returns to the Company's stockholders, in January 2010 the Company's Board of Directors approved the 2010 Performance Program, pursuant to the 2007 Omnibus Equity Compensation Plan (the 2007 Plan). Eligible employees received initial conditional restricted stock unit awards totaling 541,465 units. A total of 503,840 units were outstanding at March 31, 2011, from which a minimum of zero and a maximum of 1,259,600 units could be awarded based upon measurement of total shareholder return of Apache common stock as compared to a designated peer group during a three-year performance period. Should any restricted stock units be awarded at the end of the three-year performance period, 50 percent of restricted stock units awarded will immediately vest, and an additional 25 percent will vest on succeeding anniversaries of the end of the performance period.

In January 2011 the Company's Board of Directors approved the 2011 Performance Program, pursuant to the 2007 Plan, with terms similar to the 2010 Performance Program. Eligible employees received initial conditional restricted stock unit awards totaling 585,811 units. A total of 570,645 units were outstanding at March 31, 2011, with the

ultimate number of restricted stock units to be awarded ranging from zero to a maximum of 1,426,613 units.

**Table of Contents****9. FAIR VALUE MEASUREMENTS**

Certain assets and liabilities are reported at fair value on a recurring basis in Apache's consolidated balance sheet. The following methods and assumptions were used to estimate the fair values:

***Cash, Cash Equivalents, Short-Term Investments, Accounts Receivable and Accounts Payable***

The carrying amounts approximate fair value because of the short-term nature or maturity of the instruments.

***Commodity Derivative Instruments***

Apache's commodity derivative instruments consist of variable-to-fixed price commodity swaps and options. The Company uses a market approach to estimate the fair values of its derivative instruments. A market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The Company's derivatives are not actively quoted in the open market but are valued utilizing commodity futures price strips for the underlying commodities, which are provided by a reputable third-party. For further information regarding Apache's derivative instruments and hedging activities, please see Note 3 Derivative Instruments and Hedging Activities of this Form 10-Q.

The following table presents the Company's derivative assets and liabilities measured at fair value on a recurring basis for each hierarchy level:

|                                     | Fair Value Measurements Using                              |                                             |                                                                     |                        |                        |                    |
|-------------------------------------|------------------------------------------------------------|---------------------------------------------|---------------------------------------------------------------------|------------------------|------------------------|--------------------|
|                                     | Quoted<br>Price<br>in<br>Active<br>Markets<br>(Level<br>1) | Significant<br>Other<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3)<br>(In millions) | Total<br>Fair<br>Value | Netting <sup>(1)</sup> | Carrying<br>Amount |
| <b>March 31, 2011</b>               |                                                            |                                             |                                                                     |                        |                        |                    |
| Assets:                             |                                                            |                                             |                                                                     |                        |                        |                    |
| Commodity Derivative<br>Instruments | \$                                                         | \$ 404                                      | \$                                                                  | \$ 404                 | \$ (152)               | \$ 252             |
| Liabilities:                        |                                                            |                                             |                                                                     |                        |                        |                    |
| Commodity Derivative<br>Instruments |                                                            | 860                                         |                                                                     | 860                    | (152)                  | 708                |
| <b>December 31, 2010</b>            |                                                            |                                             |                                                                     |                        |                        |                    |
| Assets:                             |                                                            |                                             |                                                                     |                        |                        |                    |
| Commodity Derivative<br>Instruments | \$                                                         | \$ 454                                      | \$                                                                  | \$ 454                 | \$ (148)               | \$ 306             |
| Liabilities:                        |                                                            |                                             |                                                                     |                        |                        |                    |
| Commodity Derivative<br>Instruments |                                                            | 466                                         |                                                                     | 466                    | (148)                  | 318                |

- <sup>(1)</sup> The derivative fair values above are based on analysis of each contract on a gross basis, even where the legal right of offset exists, as required by ASC Topic 820. The carrying amounts of derivative assets and liabilities reported on the consolidated balance sheet are determined by netting asset and liability positions where counterparty master netting arrangements contain provisions for net settlement. See Note 3 Derivative Instruments and Hedging Activities of this Form 10-Q for a discussion of amounts recorded on the consolidated balance sheet at March 31, 2011 and December 31, 2010.



**Table of Contents****10. BUSINESS SEGMENT INFORMATION**

Apache is engaged in a single line of business. Both domestically and internationally, the Company explores for, develops, and produces natural gas, crude oil and natural gas liquids. At March 31, 2011, the Company had exploration and production interests in seven countries: the United States, Canada, Egypt, Australia, offshore the United Kingdom (U.K.) in the North Sea, Argentina and Chile. Financial information for each country is presented below:

|                                             | United    |          |          |           | U.K.<br>North<br>Sea | Other     |               |           |
|---------------------------------------------|-----------|----------|----------|-----------|----------------------|-----------|---------------|-----------|
|                                             | States    | Canada   | Egypt    | Australia | (In millions)        | Argentina | International | Total     |
| <b>For the Quarter Ended March 31, 2011</b> |           |          |          |           |                      |           |               |           |
| Oil and Gas Production Revenues             | \$ 1,377  | \$ 402   | \$ 1,199 | \$ 372    | \$ 430               | \$ 98     | \$            | \$ 3,878  |
| Operating Income (1)                        | \$ 629    | \$ 78    | \$ 893   | \$ 226    | \$ 206               | \$ 10     | \$            | \$ 2,042  |
| Other Income (Expense):                     |           |          |          |           |                      |           |               |           |
| Other                                       |           |          |          |           |                      |           |               | 47        |
| General and administrative                  |           |          |          |           |                      |           |               | (112)     |
| Merger, acquisitions & transition           |           |          |          |           |                      |           |               | (5)       |
| Financing costs, net                        |           |          |          |           |                      |           |               | (45)      |
| Income Before Income Taxes                  |           |          |          |           |                      |           |               | \$ 1,927  |
| Total Assets                                | \$ 21,683 | \$ 8,635 | \$ 6,266 | \$ 4,016  | \$ 2,609             | \$ 1,598  | \$ 59         | \$ 44,866 |
| <b>For the Quarter Ended March 31, 2010</b> |           |          |          |           |                      |           |               |           |
| Oil and Gas Production Revenues             | \$ 993    | \$ 252   | \$ 741   | \$ 224    | \$ 391               | \$ 92     | \$            | \$ 2,693  |
| Operating Income (1)                        | \$ 511    | \$ 95    | \$ 493   | \$ 100    | \$ 149               | \$ 25     | \$            | \$ 1,373  |
| Other Income (Expense):                     |           |          |          |           |                      |           |               |           |
| Other                                       |           |          |          |           |                      |           |               | (20)      |

|                            |      |
|----------------------------|------|
| General and administrative | (87) |
| Financing costs, net       | (59) |

|                            |          |
|----------------------------|----------|
| Income Before Income Taxes | \$ 1,207 |
|----------------------------|----------|

|              |           |          |          |          |          |          |       |           |
|--------------|-----------|----------|----------|----------|----------|----------|-------|-----------|
| Total Assets | \$ 11,943 | \$ 4,115 | \$ 5,809 | \$ 3,515 | \$ 2,335 | \$ 1,459 | \$ 52 | \$ 29,228 |
|--------------|-----------|----------|----------|----------|----------|----------|-------|-----------|

- (1) Operating Income consists of oil and gas production revenues less depreciation, depletion and amortization, asset retirement obligation accretion, lease operating expenses, gathering and transportation costs, and taxes other than income.

## 11. SUPPLEMENTAL GUARANTOR INFORMATION

Apache Finance Canada Corporation (Apache Finance Canada) is a wholly-owned subsidiary of Apache and issued approximately \$300 million of publicly-traded notes due in 2029 and an additional \$350 million of publicly-traded notes due in 2015 that are fully and unconditionally guaranteed by Apache. The following condensed consolidating financial statements are provided as an alternative to filing separate financial statements.

Apache Finance Canada has been fully consolidated in Apache's consolidated financial statements. As such, these condensed consolidating financial statements should be read in conjunction with the financial statements of Apache Corporation and subsidiaries and notes thereto, of which this note is an integral part.

Table of Contents

**APACHE CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS**  
**For the Quarter Ended March 31, 2011**

|                                            | Apache<br>Corporation | Apache<br>Finance<br>Canada | All Other<br>Subsidiaries<br>of Apache<br>Corporation<br>(In millions) | Reclassifications<br>&<br>Eliminations | Consolidated |
|--------------------------------------------|-----------------------|-----------------------------|------------------------------------------------------------------------|----------------------------------------|--------------|
| REVENUES AND OTHER:                        |                       |                             |                                                                        |                                        |              |
| Oil and gas production revenues            | \$ 1,006              | \$                          | \$ 2,872                                                               | \$                                     | \$ 3,878     |
| Equity in net income (loss) of affiliates  | 894                   | (14)                        | (28)                                                                   | (852)                                  |              |
| Other                                      | 1                     | (20)                        | 67                                                                     | (1)                                    | 47           |
|                                            | 1,901                 | (34)                        | 2,911                                                                  | (853)                                  | 3,925        |
| OPERATING EXPENSES:                        |                       |                             |                                                                        |                                        |              |
| Depreciation, depletion and amortization   | 300                   |                             | 636                                                                    |                                        | 936          |
| Asset retirement obligation accretion      | 17                    |                             | 20                                                                     |                                        | 37           |
| Lease operating expenses                   | 191                   |                             | 432                                                                    |                                        | 623          |
| Gathering and transportation               | 12                    |                             | 64                                                                     |                                        | 76           |
| Taxes other than income                    | 41                    |                             | 123                                                                    |                                        | 164          |
| General and administrative                 | 89                    |                             | 24                                                                     | (1)                                    | 112          |
| Merger, acquisitions & transition          | 5                     |                             |                                                                        |                                        | 5            |
| Financing costs, net                       | 37                    | 14                          | (6)                                                                    |                                        | 45           |
|                                            | 692                   | 14                          | 1,293                                                                  | (1)                                    | 1,998        |
| INCOME (LOSS) BEFORE INCOME TAXES          | 1,209                 | (48)                        | 1,618                                                                  | (852)                                  | 1,927        |
| Provision (benefit) for income taxes       | 75                    | (6)                         | 724                                                                    |                                        | 793          |
| NET INCOME (LOSS)                          | 1,134                 | (42)                        | 894                                                                    | (852)                                  | 1,134        |
| Preferred stock dividends                  | 19                    |                             |                                                                        |                                        | 19           |
| INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCK | \$ 1,115              | \$ (42)                     | \$ 894                                                                 | \$ (852)                               | \$ 1,115     |

Table of Contents

**APACHE CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS**  
**For the Quarter Ended March 31, 2010**

|                                           | Apache<br>Corporation | Apache<br>Finance<br>Canada | All Other<br>Subsidiaries<br>of Apache<br>Corporation<br>(In millions) | Reclassifications<br>&<br>Eliminations | Consolidated |
|-------------------------------------------|-----------------------|-----------------------------|------------------------------------------------------------------------|----------------------------------------|--------------|
| REVENUES AND OTHER:                       |                       |                             |                                                                        |                                        |              |
| Oil and gas production revenues           | \$ 898                | \$                          | \$ 1,795                                                               | \$                                     | \$ 2,693     |
| Equity in net income (loss) of affiliates | 458                   | 24                          | (5)                                                                    | (477)                                  |              |
| Other                                     | 1                     | 14                          | (34)                                                                   | (1)                                    | (20)         |
|                                           | 1,357                 | 38                          | 1,756                                                                  | (478)                                  | 2,673        |
| OPERATING EXPENSES:                       |                       |                             |                                                                        |                                        |              |
| Depreciation, depletion and amortization  | 217                   |                             | 422                                                                    |                                        | 639          |
| Asset retirement obligation accretion     | 12                    |                             | 12                                                                     |                                        | 24           |
| Lease operating expenses                  | 168                   |                             | 272                                                                    |                                        | 440          |
| Gathering and transportation              | 10                    |                             | 30                                                                     |                                        | 40           |
| Taxes other than income                   | 36                    |                             | 141                                                                    |                                        | 177          |
| General and administrative                | 72                    |                             | 16                                                                     | (1)                                    | 87           |
| Financing costs, net                      | 53                    | 14                          | (8)                                                                    |                                        | 59           |
|                                           | 568                   | 14                          | 885                                                                    | (1)                                    | 1,466        |
| INCOME BEFORE INCOME TAXES                | 789                   | 24                          | 871                                                                    | (477)                                  | 1,207        |
| Provision for income taxes                | 84                    | 6                           | 412                                                                    |                                        | 502          |
| INCOME ATTRIBUTABLE TO COMMON STOCK       | \$ 705                | \$ 18                       | \$ 459                                                                 | \$ (477)                               | \$ 705       |

Table of Contents

**APACHE CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**For the Quarter Ended March 31, 2011**

|                                                                       | Apache<br>Corporation | Apache<br>Finance<br>Canada | All Other<br>Subsidiaries<br>of Apache<br>Corporation<br>(In millions) | Reclassifications<br>&<br>Eliminations | Consolidated |
|-----------------------------------------------------------------------|-----------------------|-----------------------------|------------------------------------------------------------------------|----------------------------------------|--------------|
| CASH PROVIDED BY (USED IN)<br>OPERATING ACTIVITIES                    | \$ 392                | \$ (5)                      | \$ 1,592                                                               | \$                                     | \$ 1,979     |
| CASH FLOWS FROM INVESTING<br>ACTIVITIES:                              |                       |                             |                                                                        |                                        |              |
| Additions to oil and gas property                                     | (469)                 |                             | (1,102)                                                                |                                        | (1,571)      |
| Additions to gas gathering,<br>transmission and processing facilities |                       |                             | (125)                                                                  |                                        | (125)        |
| Investment in subsidiaries, net                                       | 95                    |                             |                                                                        | (95)                                   |              |
| Other                                                                 | (17)                  |                             | (36)                                                                   |                                        | (53)         |
| NET CASH USED IN INVESTING<br>ACTIVITIES                              | (391)                 |                             | (1,263)                                                                | (95)                                   | (1,749)      |
| CASH FLOWS FROM FINANCING<br>ACTIVITIES:                              |                       |                             |                                                                        |                                        |              |
| Commercial paper, credit facility and<br>bank notes, net              | 19                    |                             |                                                                        |                                        | 19           |
| Intercompany borrowings                                               |                       | 1                           | (96)                                                                   | 95                                     |              |
| Dividends paid                                                        | (76)                  |                             |                                                                        |                                        | (76)         |
| Common stock activity                                                 | 26                    | 4                           | (4)                                                                    |                                        | 26           |
| Treasury stock activity, net                                          | 4                     |                             |                                                                        |                                        | 4            |
| Other                                                                 | 27                    |                             | (8)                                                                    |                                        | 19           |
| NET CASH PROVIDED BY (USED<br>IN) FINANCING ACTIVITIES                |                       | 5                           | (108)                                                                  | 95                                     | (8)          |
| NET INCREASE (DECREASE) IN<br>CASH AND CASH EQUIVALENTS               | 1                     |                             | 221                                                                    |                                        | 222          |
| CASH AND CASH EQUIVALENTS<br>AT BEGINNING OF YEAR                     | 6                     |                             | 128                                                                    |                                        | 134          |
| CASH AND CASH EQUIVALENTS<br>AT END OF PERIOD                         | \$ 7                  | \$                          | \$ 349                                                                 | \$                                     | \$ 356       |



Table of Contents

**APACHE CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**For the Quarter Ended March 31, 2010**

|                                                                       | <b>Apache<br/>Corporation</b> | <b>Apache<br/>Finance<br/>Canada</b> | <b>All Other<br/>Subsidiaries<br/>of Apache<br/>Corporation<br/>(In millions)</b> | <b>Reclassifications<br/>&amp;<br/>Eliminations</b> | <b>Consolidated</b> |
|-----------------------------------------------------------------------|-------------------------------|--------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------|---------------------|
| CASH PROVIDED BY (USED IN)<br>OPERATING ACTIVITIES                    | \$ 599                        | \$ (10)                              | \$ 565                                                                            | \$                                                  | \$ 1,154            |
| CASH FLOWS FROM INVESTING<br>ACTIVITIES:                              |                               |                                      |                                                                                   |                                                     |                     |
| Additions to oil and gas property                                     | (240)                         |                                      | (719)                                                                             |                                                     | (959)               |
| Additions to gas gathering,<br>transmission and processing facilities |                               |                                      | (115)                                                                             |                                                     | (115)               |
| Investment in subsidiaries, net                                       | (20)                          |                                      |                                                                                   | 20                                                  |                     |
| Other                                                                 | (29)                          |                                      | 55                                                                                |                                                     | 26                  |
| NET CASH USED IN INVESTING<br>ACTIVITIES                              | (289)                         |                                      | (779)                                                                             | 20                                                  | (1,048)             |
| CASH FLOWS FROM FINANCING<br>ACTIVITIES:                              |                               |                                      |                                                                                   |                                                     |                     |
| Commercial paper, credit facility and<br>bank notes, net              |                               | 2                                    | 13                                                                                | (18)                                                | (3)                 |
| Dividends paid                                                        | (50)                          |                                      |                                                                                   |                                                     | (50)                |
| Common stock activity                                                 | 11                            | 6                                    | (4)                                                                               | (2)                                                 | 11                  |
| Treasury stock activity, net                                          | 1                             |                                      |                                                                                   |                                                     | 1                   |
| Cost of debt and equity transactions                                  |                               |                                      |                                                                                   |                                                     |                     |
| Other                                                                 | 13                            |                                      |                                                                                   |                                                     | 13                  |
| NET CASH PROVIDED BY (USED<br>IN) FINANCING ACTIVITIES                | (25)                          | 8                                    | 9                                                                                 | (20)                                                | (28)                |
| NET INCREASE (DECREASE) IN<br>CASH AND CASH EQUIVALENTS               | 285                           | (2)                                  | (205)                                                                             |                                                     | 78                  |
| CASH AND CASH EQUIVALENTS<br>AT BEGINNING OF YEAR                     | 647                           | 2                                    | 1,399                                                                             |                                                     | 2,048               |
| CASH AND CASH EQUIVALENTS<br>AT END OF PERIOD                         | \$ 932                        | \$                                   | \$ 1,194                                                                          | \$                                                  | \$ 2,126            |



Table of Contents

**APACHE CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING BALANCE SHEET**  
**March 31, 2011**

|                                                | Apache<br>Corporation | Apache<br>Finance<br>Canada | All Other<br>Subsidiaries<br>of Apache<br>Corporation<br>(In millions) | Reclassifications<br>&<br>Eliminations | Consolidated |
|------------------------------------------------|-----------------------|-----------------------------|------------------------------------------------------------------------|----------------------------------------|--------------|
| <b>ASSETS</b>                                  |                       |                             |                                                                        |                                        |              |
| CURRENT ASSETS:                                |                       |                             |                                                                        |                                        |              |
| Cash and cash equivalents                      | \$ 7                  | \$                          | \$ 349                                                                 | \$                                     | \$ 356       |
| Receivables, net of allowance                  | 746                   |                             | 1,744                                                                  |                                        | 2,490        |
| Inventories                                    | 62                    |                             | 531                                                                    |                                        | 593          |
| Drilling advances                              | 14                    | 2                           | 261                                                                    |                                        | 277          |
| Prepaid assets and other                       | 3,226                 |                             | (2,941)                                                                |                                        | 285          |
|                                                | 4,055                 | 2                           | (56)                                                                   |                                        | 4,001        |
| PROPERTY AND EQUIPMENT,<br>NET                 |                       |                             |                                                                        |                                        |              |
|                                                | 11,598                |                             | 27,448                                                                 |                                        | 39,046       |
| OTHER ASSETS:                                  |                       |                             |                                                                        |                                        |              |
| Intercompany receivable, net                   | 4,601                 |                             | (3,088)                                                                | (1,513)                                |              |
| Equity in affiliates                           | 17,456                | 1,295                       | 87                                                                     | (18,838)                               |              |
| Goodwill, net                                  |                       |                             | 1,032                                                                  |                                        | 1,032        |
| Deferred charges and other                     | 169                   | 1,003                       | 615                                                                    | (1,000)                                | 787          |
|                                                | \$ 37,879             | \$ 2,300                    | \$ 26,038                                                              | \$ (21,351)                            | \$ 44,866    |
| <b>LIABILITIES AND<br/>SHAREHOLDERS EQUITY</b> |                       |                             |                                                                        |                                        |              |
| CURRENT LIABILITIES:                           |                       |                             |                                                                        |                                        |              |
| Accounts payable                               | \$ 498                | \$ 3                        | \$ 1,918                                                               | \$ (1,513)                             | \$ 906       |
| Accrued exploration and<br>development         | 293                   |                             | 1,106                                                                  |                                        | 1,399        |
| Current debt                                   |                       |                             | 30                                                                     |                                        | 30           |
| Current asset retirement obligation            | 317                   |                             | 56                                                                     |                                        | 373          |
| Derivative instruments                         | 376                   |                             | 115                                                                    |                                        | 491          |
| Other accrued expenses                         | 307                   | 13                          | 438                                                                    |                                        | 758          |
|                                                | 1,791                 | 16                          | 3,663                                                                  | (1,513)                                | 3,957        |
| LONG-TERM DEBT                                 | 7,482                 | 647                         | 1                                                                      |                                        | 8,130        |

DEFERRED CREDITS AND  
OTHER NONCURRENT  
LIABILITIES:

|                             |       |     |       |         |       |
|-----------------------------|-------|-----|-------|---------|-------|
| Income taxes                | 1,659 | 5   | 2,601 |         | 4,265 |
| Asset retirement obligation | 1,008 |     | 1,474 |         | 2,482 |
| Other                       | 741   | 250 | 843   | (1,000) | 834   |
|                             | 3,408 | 255 | 4,918 | (1,000) | 7,581 |

COMMITMENTS AND  
CONTINGENCIES

|                      |           |          |           |             |           |
|----------------------|-----------|----------|-----------|-------------|-----------|
| SHAREHOLDERS' EQUITY | 25,198    | 1,382    | 17,456    | (18,838)    | 25,198    |
|                      | \$ 37,879 | \$ 2,300 | \$ 26,038 | \$ (21,351) | \$ 44,866 |

Table of Contents

**APACHE CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING BALANCE SHEET**  
**December 31, 2010**

|                                                 | <b>Apache<br/>Corporation</b> | <b>Apache<br/>Finance<br/>Canada</b> | <b>All Other<br/>Subsidiaries<br/>of Apache<br/>Corporation<br/>(In millions)</b> | <b>Reclassifications<br/>&amp;<br/>Eliminations</b> | <b>Consolidated</b> |
|-------------------------------------------------|-------------------------------|--------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------|---------------------|
| <b>ASSETS</b>                                   |                               |                                      |                                                                                   |                                                     |                     |
| <b>CURRENT ASSETS:</b>                          |                               |                                      |                                                                                   |                                                     |                     |
| Cash and cash equivalents                       | \$ 6                          | \$                                   | \$ 128                                                                            | \$                                                  | \$ 134              |
| Receivables, net of allowance                   | 691                           |                                      | 1,443                                                                             |                                                     | 2,134               |
| Inventories                                     | 55                            |                                      | 509                                                                               |                                                     | 564                 |
| Drilling advances                               | 10                            | 2                                    | 247                                                                               |                                                     | 259                 |
| Prepaid assets and other                        | 3,313                         |                                      | (2,924)                                                                           |                                                     | 389                 |
|                                                 | 4,075                         | 2                                    | (597)                                                                             |                                                     | 3,480               |
| <b>PROPERTY AND EQUIPMENT,<br/>NET</b>          | 11,314                        |                                      | 26,837                                                                            |                                                     | 38,151              |
| <b>OTHER ASSETS:</b>                            |                               |                                      |                                                                                   |                                                     |                     |
| Intercompany receivable, net                    | 4,695                         |                                      | (3,149)                                                                           | (1,546)                                             |                     |
| Equity in affiliates                            | 16,649                        | 1,275                                | 98                                                                                | (18,022)                                            |                     |
| Goodwill, net                                   |                               |                                      | 1,032                                                                             |                                                     | 1,032               |
| Deferred charges and other                      | 178                           | 1,003                                | 581                                                                               | (1,000)                                             | 762                 |
|                                                 | \$ 36,911                     | \$ 2,280                             | \$ 24,802                                                                         | \$ (20,568)                                         | \$ 43,425           |
| <b>LIABILITIES AND<br/>SHAREHOLDERS' EQUITY</b> |                               |                                      |                                                                                   |                                                     |                     |
| <b>CURRENT LIABILITIES:</b>                     |                               |                                      |                                                                                   |                                                     |                     |
| Accounts payable                                | \$ 480                        | \$ 2                                 | \$ 1,843                                                                          | \$ (1,546)                                          | \$ 779              |
| Accrued exploration and<br>development          | 274                           |                                      | 1,093                                                                             |                                                     | 1,367               |
| Current debt                                    | 16                            |                                      | 30                                                                                |                                                     | 46                  |
| Current asset retirement obligation             | 317                           |                                      | 90                                                                                |                                                     | 407                 |
| Derivative instruments                          | 153                           |                                      | 41                                                                                |                                                     | 194                 |
| Other accrued expenses                          | 400                           | 3                                    | 328                                                                               |                                                     | 731                 |
|                                                 | 1,640                         | 5                                    | 3,425                                                                             | (1,546)                                             | 3,524               |
| <b>LONG-TERM DEBT</b>                           | 7,447                         | 647                                  | 1                                                                                 |                                                     | 8,095               |

DEFERRED CREDITS AND  
OTHER

## NONCURRENT LIABILITIES:

|                             |       |     |       |         |       |
|-----------------------------|-------|-----|-------|---------|-------|
| Income taxes                | 1,803 | 5   | 2,441 |         | 4,249 |
| Asset retirement obligation | 1,001 |     | 1,464 |         | 2,465 |
| Other                       | 643   | 250 | 822   | (1,000) | 715   |
|                             | 3,447 | 255 | 4,727 | (1,000) | 7,429 |

COMMITMENTS AND  
CONTINGENCIES

|                     |           |          |           |             |           |
|---------------------|-----------|----------|-----------|-------------|-----------|
| SHAREHOLDERS EQUITY | 24,377    | 1,373    | 16,649    | (18,022)    | 24,377    |
|                     | \$ 36,911 | \$ 2,280 | \$ 24,802 | \$ (20,568) | \$ 43,425 |

**Table of Contents**

**ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Apache Corporation (Apache or the Company), a Delaware corporation formed in 1954, is an independent energy company that explores for, develops and produces natural gas, crude oil and natural gas liquids. We currently have exploration and production interests in seven countries: the U.S., Canada, Egypt, Australia, offshore the United Kingdom in the North Sea (North Sea), Argentina and Chile.

This discussion relates to Apache Corporation and its consolidated subsidiaries and should be read in conjunction with our consolidated financial statements and accompanying notes included under Part I, Item 1, of this Quarterly Report on Form 10-Q, as well as our consolidated financial statements, accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our most recent Amended Annual Report on Form 10-K/A.

**Financial Overview**

Apache's strategy of maintaining a balanced portfolio of assets, a conservative capital structure and a focus on rate of return has served us well for many years. Our business model continued to deliver during the first quarter of 2011 with earnings of \$1.1 billion, or \$2.86 per diluted common share, up from the comparable year-ago earnings of \$705 million, or \$2.08 per diluted common share. The current period reflects the first full quarter of results from our three major acquisitions completed in 2010 and benefited from substantially higher oil price realizations. Complemented with prior-year acquisition activity, average first-quarter 2011 production of 732 thousand barrels of oil equivalent per day (Mboe/d) set a new record for the Company and represents an increase of 25 percent from first quarter 2010.

Our performance during the period highlights the benefit of having geological and geographical diversity as well as maintaining a balanced product mix. Oil and liquids provided 49 percent of our total production and, with oil prices continuing to rise during the quarter, represented 77 percent of our \$3.9 billion in oil and gas revenues. In addition, approximately 60 percent of our first-quarter crude oil sales came from our international regions (outside of North America) where we receive prices indexed to Dated Brent for the majority of our oil sales. Dated Brent premiums were higher during the quarter than they historically have been relative to West Texas Intermediate-based prices (WTI). Similarly, both Heavy and Light Louisiana Sweet (HLS and LLS) crude sold at a higher than historical premium to WTI, positively impacting the majority of our production offshore in the Gulf of Mexico. Higher Dated Brent, HLS and LLS realizations relative to WTI have continued into the second quarter of 2011 and are enhancing our results despite North American natural gas prices that continue to languish.

Key measures of our performance for the first quarter 2011 compared to prior year periods are summarized below:

Net cash provided by operating activities (operating cash flows or cash flows) totaled \$2.0 billion, up 71 percent from \$1.2 billion in the prior-year period;

Oil and gas production revenues increased 44 percent to \$3.9 billion from the prior-year quarter;

Average realized oil prices increased 31 percent to \$97.83 per barrel, heavily influenced by international oil prices, which increased nearly 40 percent to \$103.21 per barrel;

Pre-tax margin of \$29.25 per boe was up 28 percent from the 2010 period margin, calculated as income before income taxes divided by barrels-equivalent production;

Oil and gas capital expenditures totaled \$1.8 billion in the first quarter of 2011, up from \$1.1 billion in the first quarter of 2010; and

Debt-to-capitalization ratio at the end of the first quarter decreased slightly to 24.5 percent from year-end 2010.

**Table of Contents**

**Operating Highlights**

During the first quarter of 2011, we had broad-based drillbit success with multiple new field discoveries and continued to advance several large projects despite operational challenges that included unexpected political events, mechanical downtime and weather-related interruptions. Notable highlights include:

***Egypt***

Egypt's operations achieved a new quarterly record for gross production of 357 Mboe/d, up two percent from the fourth quarter of 2010 and 18 percent from the first quarter of 2010. Although the Company continues to monitor the recent political unrest and changes in Egypt, our production and drilling activity continued basically uninterrupted.

Apache operated 22 rigs during the quarter, drilling 33 wells, including the first Paleozoic discovery in the Western Desert at Tayim West, which test-flowed at 3,600 barrels of oil per day (b/d). This Paleozoic discovery opens a new play deeper than previous discoveries in the Western Desert.

Apache made the first field discovery in the Siwa Concession, our westernmost concession in Egypt, with the Siwa D-1X well flowing 4,490 b/d and 8 million cubic feet of natural gas per day (MMcf/d). We plan to drill two follow-up prospects during 2011.

***Australia***

On April 4, 2011, the Company announced its Zola-1 natural gas discovery offshore Western Australia that is on trend with the Gorgon gas field 16 miles to the north and near both existing and developing gas infrastructure. The well logged 410 feet of net pay, with the quality and thickness of the reservoir being better than anticipated. The Company plans to acquire new seismic and drill appraisal wells to further assess the discovery. Apache owns a 30.25-percent working interest in the well.

Ongoing exploration activity at Apache's Julimar and Brunello complex resulted in the discovery of a deeper Mungaroo gas pool encountering 362 feet of net pay. The Balnaves Deep well is associated with continuing field development efforts and augments previous discoveries. Apache operates the Julimar and Brunello field with a 65-percent working interest.

Both the Reindeer and Halyard field developments remain on target for first production in 2011, despite numerous cyclones and tropical storms that curtailed the region's production and slowed operations.

***North Sea***

During the quarter, the Company drilled five successful oil development wells, including the Charlie 2-2 well, which tested at 11,800 b/d. Apache expects to drill a total of 16 wells in the Forties field in 2011.

Development activity continues on target for first production from the Bacchus field in late third-quarter 2011 and for the Forties Alpha satellite platform installation, which provides 18 new drilling slots, in the third quarter of 2012.

***United States***

During the quarter, the Central region drilled 23 wells, of which 20 were horizontals, and completed the first dual lateral in the Granite Wash. Apache continued to target numerous sands in the Granite Wash, including the Hogshooter segment where six wells have been drilled to date with each testing in excess of 1,000 b/d and 2 MMcf/d.

Apache operated 24 rigs in the Permian Basin during the quarter and drilled 110 wells, of which 15 were horizontal, as the Company continues to ramp up activity on our BP and Mariner acquired assets.

In the Gulf of Mexico deepwater, Apache achieved first production from two projects during the first quarter, representing 10 Mboe/d of combined initial gross production. These were tied back into existing facilities and

did not require new well drilling permits. Apache has a 50-percent working interest in both projects.

On March 16, 2011, Apache announced our participation in the Marine Well Containment Company (MWCC), an independent organization committed to responding to well control incidents in the deepwater Gulf of Mexico. MWCC will support equipment mobilization and provide access to a containment system to help facilitate our future deepwater operations. We will be a member of the MWCC Executive Committee.

**Table of Contents****Results of Operations*****Oil and Gas Revenues***

|                                     | For the Quarter Ended March 31, |                   |                                 |                   |
|-------------------------------------|---------------------------------|-------------------|---------------------------------|-------------------|
|                                     | 2011                            |                   | 2010                            |                   |
|                                     | \$<br>Value<br>(In<br>millions) | %<br>Contribution | \$<br>Value<br>(In<br>millions) | %<br>Contribution |
| Oil Revenues:                       |                                 |                   |                                 |                   |
| United States                       | \$ 918                          | 32%               | \$ 594                          | 31%               |
| Canada                              | 115                             | 4%                | 97                              | 5%                |
| North America                       | 1,033                           | 36%               | 691                             | 36%               |
| Egypt                               | 1,050                           | 36%               | 625                             | 32%               |
| Australia                           | 331                             | 11%               | 183                             | 9%                |
| North Sea                           | 426                             | 15%               | 387                             | 20%               |
| Argentina                           | 52                              | 2%                | 51                              | 3%                |
| International                       | 1,859                           | 64%               | 1,246                           | 64%               |
| Total <sup>(1)</sup>                | \$ 2,892                        | 100%              | \$ 1,937                        | 100%              |
| Natural Gas Revenues:               |                                 |                   |                                 |                   |
| United States                       | \$ 381                          | 44%               | \$ 367                          | 52%               |
| Canada                              | 263                             | 30%               | 149                             | 21%               |
| North America                       | 644                             | 74%               | 516                             | 73%               |
| Egypt                               | 148                             | 17%               | 116                             | 16%               |
| Australia                           | 41                              | 5%                | 41                              | 6%                |
| North Sea                           | 4                               | 0%                | 4                               | 1%                |
| Argentina                           | 37                              | 4%                | 31                              | 4%                |
| International                       | 230                             | 26%               | 192                             | 27%               |
| Total <sup>(2)</sup>                | \$ 874                          | 100%              | \$ 708                          | 100%              |
| Natural Gas Liquids (NGL) Revenues: |                                 |                   |                                 |                   |
| United States                       | \$ 78                           | 70%               | \$ 32                           | 66%               |
| Canada                              | 24                              | 21%               | 6                               | 14%               |
| North America                       | 102                             | 91%               | 38                              | 80%               |
| Egypt                               | 1                               | 1%                |                                 | 0%                |
| Argentina                           | 9                               | 8%                | 10                              | 20%               |

|                             |          |      |          |      |
|-----------------------------|----------|------|----------|------|
| International               | 10       | 9%   | 10       | 20%  |
| Total                       | \$ 112   | 100% | \$ 48    | 100% |
| Total Oil and Gas Revenues: |          |      |          |      |
| United States               | \$ 1,377 | 36%  | \$ 993   | 37%  |
| Canada                      | 402      | 10%  | 252      | 9%   |
| North America               | 1,779    | 46%  | 1,245    | 46%  |
| Egypt                       | 1,199    | 31%  | 741      | 28%  |
| Australia                   | 372      | 10%  | 224      | 8%   |
| North Sea                   | 430      | 11%  | 391      | 15%  |
| Argentina                   | 98       | 2%   | 92       | 3%   |
| International               | 2,099    | 54%  | 1,448    | 54%  |
| Total                       | \$ 3,878 | 100% | \$ 2,693 | 100% |

- (1) Financial derivative hedging activities and the North Sea fixed-price sales contract decreased oil revenues for the quarters ending March 31, 2011 and 2010 by \$71 million and \$14 million, respectively.
- (2) Financial derivative hedging activities increased natural gas revenues for the quarters ending March 31, 2011 and 2010 by \$64 million and \$13 million, respectively.

**Table of Contents*****Production***

|                              | <b>For the Quarter Ended March 31,</b> |                                |             |
|------------------------------|----------------------------------------|--------------------------------|-------------|
|                              | <b>2011</b>                            | <b>Increase<br/>(Decrease)</b> | <b>2010</b> |
| Oil Volume    b/d:           |                                        |                                |             |
| United States                | 113,723                                | +28%                           | 88,755      |
| Canada                       | 14,704                                 | +3%                            | 14,330      |
| North America                | 128,427                                | +25%                           | 103,085     |
| Egypt                        | 108,876                                | +20%                           | 90,746      |
| Australia                    | 34,720                                 | +28%                           | 27,090      |
| North Sea                    | 46,968                                 | -19%                           | 57,847      |
| Argentina                    | 9,617                                  | -3%                            | 9,921       |
| International                | 200,181                                | +8%                            | 185,604     |
| Total <sup>(1)</sup>         | 328,608                                | +14%                           | 288,689     |
| Natural Gas Volume    Mcf/d: |                                        |                                |             |
| United States                | 858,146                                | +28%                           | 671,819     |
| Canada                       | 642,729                                | +105%                          | 313,537     |
| North America                | 1,500,875                              | +52%                           | 985,356     |
| Egypt                        | 371,514                                | +3%                            | 361,986     |
| Australia                    | 182,922                                | -12%                           | 207,294     |
| North Sea                    | 1,901                                  | -26%                           | 2,563       |
| Argentina                    | 188,092                                | +22%                           | 154,723     |
| International                | 744,429                                | +2%                            | 726,566     |
| Total <sup>(2)</sup>         | 2,245,304                              | +31%                           | 1,711,922   |
| NGL Volume    b/d:           |                                        |                                |             |
| United States                | 19,252                                 | +181%                          | 6,843       |
| Canada                       | 6,545                                  | +277%                          | 1,734       |
| North America                | 25,797                                 | +201%                          | 8,577       |
| Egypt                        | 228                                    | N/A                            |             |
| Argentina                    | 3,055                                  | -7%                            | 3,291       |
| International                | 3,283                                  | 0%                             | 3,291       |
| Total                        | 29,080                                 | +145%                          | 11,868      |

|                            |         |      |         |
|----------------------------|---------|------|---------|
| BOE per day <sup>(3)</sup> |         |      |         |
| United States              | 275,999 | +33% | 207,567 |
| Canada                     | 128,370 | +88% | 68,320  |
| North America              | 404,369 | +47% | 275,887 |
| Egypt                      | 171,023 | +13% | 151,077 |
| Australia                  | 65,207  | +6%  | 61,639  |
| North Sea                  | 47,285  | -19% | 58,275  |
| Argentina                  | 44,021  | +13% | 38,999  |
| International              | 327,536 | +6%  | 309,990 |
| Total                      | 731,905 | +25% | 585,877 |

- (1) Approximately 30 percent of first-quarter 2011 oil production was subject to financial derivative hedges, compared to 12 percent in 2010.
- (2) Approximately 16 percent of first-quarter 2011 gas production was subject to financial derivative hedges, compared to 25 percent in 2010.
- (3) The table shows reserves on a boe basis in which natural gas is converted to an equivalent barrel of oil based on a 6:1 energy equivalent ratio. This ratio is not reflective of the current price ratio between the two products.

**Table of Contents*****Pricing***

|                           |             | For the Quarter Ended March 31, |                        |         |
|---------------------------|-------------|---------------------------------|------------------------|---------|
|                           |             | 2011                            | Increase<br>(Decrease) | 2010    |
| Average Oil price         | Per barrel: |                                 |                        |         |
| United States             |             | \$ 89.72                        | +21%                   | \$74.33 |
| Canada                    |             | 87.21                           | +16%                   | 75.39   |
| North America             |             | 89.43                           | +20%                   | 74.47   |
| Egypt                     |             | 107.14                          | +40%                   | 76.49   |
| Australia                 |             | 105.89                          | +41%                   | 74.94   |
| North Sea                 |             | 100.89                          | +36%                   | 74.34   |
| Argentina                 |             | 60.36                           | +4%                    | 57.81   |
| International             |             | 103.21                          | +38%                   | 74.60   |
| Total <sup>(1)</sup>      |             | 97.83                           | +31%                   | 74.55   |
| Average Natural Gas price | Per Mcf:    |                                 |                        |         |
| United States             |             | \$ 4.94                         | -18%                   | \$ 6.06 |
| Canada                    |             | 4.54                            | -14%                   | 5.29    |
| North America             |             | 4.77                            | -18%                   | 5.82    |
| Egypt                     |             | 4.44                            | +24%                   | 3.57    |
| Australia                 |             | 2.50                            | +13%                   | 2.22    |
| North Sea                 |             | 20.34                           | +11%                   | 18.31   |
| Argentina                 |             | 2.18                            | 0%                     | 2.17    |
| International             |             | 3.43                            | +17%                   | 2.94    |
| Total <sup>(2)</sup>      |             | 4.32                            | -6%                    | 4.60    |
| Average NGL Price         | Per barrel: |                                 |                        |         |
| United States             |             | \$ 44.99                        | -13%                   | \$51.91 |
| Canada                    |             | 40.12                           | -1%                    | 40.54   |
| North America             |             | 43.76                           | -12%                   | 49.61   |
| Egypt                     |             | 63.35                           | N/A                    |         |
| Argentina                 |             | 30.51                           | -12%                   | 34.60   |
| International             |             | 32.79                           | -5%                    | 34.60   |
| Total                     |             | 42.52                           | -6%                    | 45.45   |

(1) Reflects per-barrel decrease of \$2.41 in first-quarter 2011 and \$.56 in 2010 from financial derivative hedging activities and the North Sea fixed-price sales contract.

(2) Reflects per-Mcf increase of \$.32 in first-quarter 2011 and \$.09 in 2010 from financial derivative hedging activities.

**First-Quarter 2011 Compared to First-Quarter 2010**

*Crude Oil Revenues* Crude oil revenues for the first quarter of 2011 totaled \$2.9 billion, nearly \$1 billion higher than the comparative 2010 quarter, the result of a 31-percent increase in average realized prices and a 14-percent increase in worldwide production. Crude oil accounted for 75 percent of oil and gas production revenues and 45 percent of worldwide production in the first quarter of 2011, compared with 72 percent and 49 percent, respectively, in the first quarter of 2010. Higher realized prices added \$605 million to the increase in first-quarter 2011 revenues compared to the prior quarter, while higher production volumes contributed an additional \$351 million.

Crude oil prices realized in the first quarter of 2011 averaged \$97.83 per barrel, compared with \$74.55 in the comparative prior-year quarter. Our international regions' crude oil realizations averaged \$103.21, an increase of 38 percent compared with first-quarter 2010 realizations of \$74.60. Our Egypt, Australia and North Sea regions, which comprise approximately 58 percent of our worldwide oil production, are benefitting from strengthening Dated Brent premiums compared to U.S. WTI-based prices, with first-quarter 2011 oil realizations averaging \$105.37 compared with first-quarter 2010 realizations of \$75.54.

Worldwide production increased 39.9 thousand barrels of oil per day (Mb/d) from the first quarter of 2010 to 328.6 Mb/d in the first quarter of 2011, primarily driven by increased production in the U.S. and Egypt. The 25.0 Mb/d increase in U.S. oil production is primarily a result of 2010 acquisition activity. The Permian region was up 12.4 Mb/d on properties added from the BP acquisition and the Mariner merger, offset by weather-related shut-ins. The Gulf of Mexico (GOM) onshore and offshore regions added 9.9 Mb/d reflecting properties acquired in the Devon acquisition and the Mariner merger; however, natural decline negatively impacted results, as new drilling has been impacted by the moratorium in the GOM and the subsequent slowed pace of permitting. Egypt's gross oil production increased 25 percent, while net production was up 20 percent, as higher oil prices impacted our allocated volumes. The 18.1 Mb/d production increase was a result of additional capacity provided by the Kalabsha oil processing facility, production from properties added in the BP acquisition and an active drilling program. Australia saw production increase 7.6 Mb/d with the continued strong performance of the Pyrenees development that began production during the first quarter of 2010. The gain was tempered by downtime across the region as a result of tropical cyclones and repairs to the Van Gogh facility. Production decreased 10.9 Mb/d in the North Sea on natural decline and downtime related to a shut-in pipeline. An existing pipeline was converted to oil service for temporary use until the permanent replacement line is completed in September 2011.

**Table of Contents**

**Natural Gas Revenues** Gas revenues for the first quarter of 2011 totaled \$874 million, up 23 percent from the first quarter of 2010. A 31-percent increase in average production added \$208 million to natural gas revenues as compared to the prior-year quarter, while a six-percent drop in average realized prices reduced revenues \$42 million between the periods. Natural gas accounted for 23 percent of our oil and gas production revenues and 51 percent of our equivalent production during the first quarter of 2011, compared to 26 and 49 percent, respectively, for the first quarter of 2010. All of our international regions, which comprise approximately one-third of total gas production, benefited from higher realized prices.

Worldwide production grew 533 MMcf/d between the periods on production increases in Canada and the U.S. Daily production in Canada more than doubled, rising 329 MMcf/d on an active drilling and completion program in the Horn River basin and additional volumes from properties acquired from BP. U.S. daily production increased 186 MMcf/d, primarily as a result of acquisition activity in 2010. Permian region production rose 58 MMcf/d on incremental volumes from properties added from the BP acquisition and the Mariner merger and on increased drilling activity. Frigid weather during the quarter tempered production gains. The GOM onshore and offshore regions added 103 MMcf/d from properties acquired in the Devon acquisition and the Mariner merger, offset by natural decline, as new drilling has been impacted by the moratorium in the GOM and the subsequent slowed pace of permitting. Argentina's production was up 33 MMcf/d from new drilling and recompletions and higher seasonal demand compared to the prior period. Egypt's net production grew three percent on a successful drilling and completion program and production from properties added in the BP acquisition. Australia's daily gas production fell 24 MMcf/d on downtime from tropical cyclones and lower customer takes under existing contractual arrangements.

**Operating Expenses**

The table below presents a comparison of our expenses on an absolute dollar basis and an equivalent unit of production (boe) basis. Our discussion may reference expenses on a boe basis, on an absolute dollar basis or both, depending on relevance.

|                                           | For the Quarter<br>Ended<br>March 31,<br>2011      2010<br>(In millions) |          | For the Quarter<br>Ended<br>March 31,<br>2011      2010<br>(Per boe) |          |
|-------------------------------------------|--------------------------------------------------------------------------|----------|----------------------------------------------------------------------|----------|
| Depreciation, depletion and amortization: |                                                                          |          |                                                                      |          |
| Oil and gas property and equipment        | \$ 869                                                                   | \$ 587   | \$ 13.19                                                             | \$ 11.13 |
| Other assets                              | 67                                                                       | 52       | 1.02                                                                 | .98      |
| Asset retirement obligation accretion     | 37                                                                       | 24       | .56                                                                  | .46      |
| Lease operating expenses                  | 623                                                                      | 440      | 9.46                                                                 | 8.35     |
| Gathering and transportation              | 76                                                                       | 40       | 1.16                                                                 | .77      |
| Taxes other than income                   | 164                                                                      | 177      | 2.49                                                                 | 3.36     |
| General and administrative expenses       | 112                                                                      | 87       | 1.70                                                                 | 1.65     |
| Merger, acquisitions & transition         | 5                                                                        |          | .08                                                                  |          |
| Financing costs, net                      | 45                                                                       | 59       | .68                                                                  | 1.12     |
| Total                                     | \$ 1,998                                                                 | \$ 1,466 | \$ 30.34                                                             | \$ 27.82 |

**Depreciation, depletion and amortization (DD&A)** The following table details the changes in recurring DD&A of oil and gas properties between the first quarter of 2011 and 2010:

|                         | Recurring<br>DD&A<br>(In millions) |
|-------------------------|------------------------------------|
| First-Quarter 2010 DD&A | \$ 587                             |

|               |     |
|---------------|-----|
| Volume change | 127 |
| Rate change   | 155 |

|                         |    |     |
|-------------------------|----|-----|
| First-Quarter 2011 DD&A | \$ | 869 |
|-------------------------|----|-----|

Full-cost DD&A expense of \$869 million increased \$282 million on an absolute dollar basis: \$155 million on rate and \$127 million from higher volumes. The Company's full-cost DD&A rate increased \$2.06 to \$13.19 per boe, reflecting acquisition, drilling and finding costs that exceed our historical cost basis.

**Table of Contents**

*Lease operating expenses (LOE)* Our first quarter 2011 LOE increased \$183 million from first quarter 2010. LOE per boe was up 13 percent: 42 percent on higher cost, offset by a 29 percent decline related to increased production. The rate was impacted between the first quarter of 2011 and 2010 by the items below:

|                                            | <b>Per boe</b> |
|--------------------------------------------|----------------|
| First-Quarter 2010 LOE                     | \$ 8.35        |
| Acquisitions, net of associated production | (.16)          |
| Repairs and maintenance                    | .52            |
| FX impact                                  | .28            |
| Chemicals                                  | .17            |
| Materials                                  | .12            |
| Workover costs                             | .12            |
| Power and fuel                             | .08            |
| Other                                      | .32            |
| Other increased production                 | (.34)          |
| First-Quarter 2011 LOE                     | \$ 9.46        |

*Gathering and transportation* Gathering and transportation costs totaled \$76 million in the first quarter of 2011, up \$36 million from the first quarter of 2010. On a per-unit basis, gathering and transportation costs of \$1.16 per boe were up 51 percent from the prior-year quarter. The following table presents gathering and transportation costs paid by Apache directly to third-party carriers for each of the periods presented.

|                                    | <b>For the Quarter Ended<br/>March 31,</b> |             |
|------------------------------------|--------------------------------------------|-------------|
|                                    | <b>2011</b>                                | <b>2010</b> |
|                                    | <b>(In millions)</b>                       |             |
| Canada                             | \$ 45                                      | \$ 16       |
| United States                      | 14                                         | 11          |
| Egypt                              | 10                                         | 6           |
| North Sea                          | 5                                          | 6           |
| Argentina                          | 2                                          | 1           |
| Total Gathering and Transportation | \$ 76                                      | \$ 40       |

The \$29 million increase in Canada resulted from a combination of an increase in gas volumes of over 100 percent, higher average rates and foreign exchange impacts. Average per-unit costs were directly influenced by Apache's increased production in the Horn River basin and properties acquired during 2010, where the associated gathering, processing and transportation contracts had higher average rates than Apache's legacy properties. The U.S. change from the prior year is directly related to increased volumes, while Egypt's rise was attributable to a higher number of oil sales cargos and higher vessel freight costs.

*Taxes other than income* Taxes other than income totaled \$164 million in the first quarter of 2011, a decrease of \$13 million from the prior year period. The following table presents a comparison of these expenses:

|          | <b>For the Quarter Ended<br/>March 31,</b> |             |
|----------|--------------------------------------------|-------------|
|          | <b>2011</b>                                | <b>2010</b> |
|          | <b>(In millions)</b>                       |             |
| U.K. PRT | \$ 82                                      | \$ 122      |

|                               |        |        |
|-------------------------------|--------|--------|
| Severance taxes               | 47     | 32     |
| Ad valorem taxes              | 27     | 18     |
| Other                         | 8      | 5      |
| Total Taxes other than income | \$ 164 | \$ 177 |

The North Sea Petroleum Revenue Tax (PRT) is assessed on net receipts (revenues less qualifying operating costs and capital spending) from the Forties field in the United Kingdom (U.K.) North Sea. U.K. PRT was \$40 million lower than the 2010 period based on a 32 percent decrease in net receipts, primarily driven by capital expenditures that were more than double prior-year levels. Prior-year property acquisitions and higher realized oil and gas prices resulted in an increase of severance and ad valorem tax expense of \$15 million and \$9 million, respectively, when compared to the prior-year period. Severance taxes are incurred primarily on onshore properties in the U.S. and certain properties in Australia and Argentina. Ad valorem taxes are assessed on U.S. and Canadian property values and sales.

**Table of Contents**

*General and administrative expenses* General and administrative expenses (G&A) increased \$25 million over the year-ago period. On a per-unit basis G&A increased only three percent as the impact of increased production mostly offset higher expenses.

*Financing costs, net* Financing costs incurred during the periods noted comprised the following:

|                                     | <b>For the Quarter Ended<br/>March 31,</b> |             |
|-------------------------------------|--------------------------------------------|-------------|
|                                     | <b>2011</b>                                | <b>2010</b> |
|                                     | <b>(In millions)</b>                       |             |
| Interest expense                    | \$ 108                                     | \$ 77       |
| Amortization of deferred loan costs | 1                                          | 1           |
| Capitalized interest                | (60)                                       | (17)        |
| Interest income                     | (4)                                        | (2)         |
| Financing costs, net                | \$ 45                                      | \$ 59       |

Net financing costs were down \$14 million in first-quarter 2011 compared to first-quarter 2010. The decrease is primarily related to a \$43 million increase in capitalized interest, the result of additional unproved balances from the BP acquisitions and Mariner merger. This decrease is partially offset by a \$31 million increase in interest expense associated with \$2.5 billion of debt issued in the second half of 2010.

*Provision for income taxes* The Company estimates its annual effective income tax rate in recording its quarterly provision for income taxes in the various jurisdictions in which the Company operates. Statutory tax rate changes and other significant or unusual items are recognized as discrete items in the quarter in which they occur. There were no significant discrete tax events that occurred during the first quarter of 2011 or 2010.

In March 2011 the U.K. government proposed a 12-percent increase to the supplementary tax rate applied to North Sea oil and gas profits. The legislation is expected to be enacted in the third quarter of 2011. Upon enactment, the Company will adjust its outstanding deferred tax liabilities and will record a non-recurring charge to tax expense in that quarter. The enacted tax rate change will also increase the provision for income taxes in the Company's consolidated financial statements for periods the rate is effective. The Company estimates the proposed legislation to result in additional tax expense in 2011 of \$300 to \$350 million based on current forecasts.

The 2011 first-quarter provision for income taxes increased \$291 million to \$793 million on a 60 percent increase in income before income taxes. The effective income tax rate in first-quarter 2011 was 41 percent, consistent with an effective rate of 42 percent in first-quarter 2010.

**Table of Contents****Non-GAAP Measures**

The Company makes reference to some measures in discussion of its financial and operating highlights that are not required by or presented in accordance with GAAP. Management uses these measures in assessing operating results and believes the presentation of these measures provides information useful in assessing the Company's financial condition and results of operations. These non-GAAP measures should not be considered as alternatives to GAAP measures and may be calculated differently from, and therefore may not be comparable to, similarly-titled measures used at other companies.

**Adjusted Earnings**

To assess the Company's operating trends and performance, management uses Adjusted Earnings, which is net income excluding certain items that management believes affect the comparability of operating results. Management believes this presentation may be useful to investors who follow the practice of some industry analysts who adjust reported company earnings for items that may obscure underlying fundamentals and trends. The reconciling items below are the types of items management excludes and believes are frequently excluded by analysts when evaluating the operating trends and comparability of the Company's results.

|                                                              | <b>For the Quarter<br/>Ended March 31,</b>  |             |
|--------------------------------------------------------------|---------------------------------------------|-------------|
|                                                              | <b>2011</b>                                 | <b>2010</b> |
|                                                              | <b>(In millions, except per share data)</b> |             |
| Income Attributable to Common Stock (GAAP)                   | \$ 1,115                                    | \$ 705      |
| Adjustments:                                                 |                                             |             |
| Foreign currency fluctuation impact on deferred tax expense  | 12                                          | 7           |
| Merger, acquisitions & transition, net of tax <sup>(1)</sup> | 4                                           |             |
| Adjusted Earnings (Non-GAAP)                                 | \$ 1,131                                    | \$ 712      |
| Net Income per Common Share Diluted (GAAP)                   | \$ 2.86                                     | \$ 2.08     |
| Adjustments:                                                 |                                             |             |
| Foreign currency fluctuation impact on deferred tax expense  | .03                                         | .02         |
| Merger, acquisitions & transition, net of tax                | .01                                         |             |
| Adjusted Earnings Per Share Diluted (Non-GAAP)               | \$ 2.90                                     | \$ 2.10     |

- <sup>(1)</sup> Merger, acquisitions & transition costs recorded in the first quarter of 2011 totaled \$5 million pre-tax, for which a tax benefit of \$1 million was recognized. The tax effect was calculated utilizing the statutory rates in effect in each country where costs were incurred.

**Capital Resources and Liquidity**

Operating cash flows are the primary source of liquidity. Apache's cash flows, both in the short-term and the long-term, are impacted by highly volatile oil and natural gas prices. Significant deterioration in commodity prices negatively impacts revenues, earnings and cash flows, capital spending and potentially our liquidity if spending does not trend downward as well. Sales volumes and costs also impact cash flows, but these historically have not been as volatile or as impactful as commodity prices in the short-term.

Apache's long-term operating cash flows are dependent on reserve replacement and the level of costs required for ongoing operations. Our business, as with other extractive industries, is a depleting one in which each barrel produced must be replaced or the Company and its reserves, a critical source of future liquidity, will shrink. Cash investments are required continuously to fund exploration and development projects and acquisitions, which are necessary to offset

the inherent declines in production and proven reserves. Future success in maintaining and growing reserves and production is highly dependent on the success of our exploration and development activities and our ability to acquire additional reserves at reasonable costs.

We may also elect to utilize available committed borrowing capacity, access to both debt and equity capital markets, or proceeds from the occasional sale of nonstrategic assets for all other liquidity and capital resource needs. We believe the liquidity and capital resource alternatives available to Apache, combined with internally-generated cash flows, will be adequate to fund short-term and long-term operations, including our capital spending program, repayment of debt maturities and any amount that may ultimately be paid in connection with contingencies.

**Table of Contents**

Apache's primary uses of cash are for exploration, development and acquisition of oil and gas properties, costs necessary to maintain ongoing operations, repayment of principal and interest on outstanding debt and payment of dividends. We fund our exploration and development activities primarily through operating cash flows and budget capital expenditures based on projected cash flows.

See Part II, Item 1A, Risk Factors of this Form 10-Q and Part I, Items 1 and 2, Business and Properties, and Item 1A, Risk Factors Related to Our Business and Operations, in our Amended Annual Report on Form 10-K/A for the fiscal year ended December 31, 2010.

***Sources and Uses of Cash***

The following table presents the sources and uses of our cash and cash equivalents for the periods presented.

|                                               | <b>For the Quarter Ended<br/>March 31,<br/>2011                      2010<br/>(In millions)</b> |          |
|-----------------------------------------------|-------------------------------------------------------------------------------------------------|----------|
| Sources of Cash and Cash Equivalents:         |                                                                                                 |          |
| Net cash provided by operating activities     | \$ 1,979                                                                                        | \$ 1,154 |
| Net commercial paper and bank loan borrowings | 19                                                                                              |          |
| Common and treasury stock activity            | 30                                                                                              | 12       |
| Other                                         | 19                                                                                              | 39       |
|                                               | 2,047                                                                                           | 1,205    |
| Uses of Cash and Cash Equivalents:            |                                                                                                 |          |
| Capital expenditures <sup>(1)</sup>           | 1,696                                                                                           | 1,074    |
| Dividends                                     | 76                                                                                              | 50       |
| Other                                         | 53                                                                                              | 3        |
|                                               | 1,825                                                                                           | 1,127    |
| Increase in cash and cash equivalents         | \$ 222                                                                                          | \$ 78    |

<sup>(1)</sup> The table presents capital expenditures on a cash basis; therefore, the amounts differ from those discussed elsewhere in this document, which include accruals.

*Net Cash Provided by Operating Activities* Operating cash flows are our primary source of capital and liquidity and is impacted, both in the short-term and the long-term, by volatile oil and natural gas prices. The factors in determining operating cash flow are largely the same as those that affect net earnings, with the exception of non-cash expenses such as DD&A, asset retirement obligation (ARO) accretion and deferred income tax expense, which affect earnings but do not affect cash flows.

Net cash provided by operating activities for the first quarter of 2011 totaled \$2.0 billion, up \$825 million from the first quarter of 2010. The increase reflects the impact of higher oil and gas revenues (\$1.2 billion) as a result of a 25-percent increase in daily equivalent production (\$625 million) and higher commodity prices (\$560 million). Also positively impacting operating cash flows was the change in working capital during first-quarter 2011 compared to first-quarter 2010.

For a detailed discussion of commodity prices, production, costs and expenses, refer to the Results of Operations of this Item 2. For additional detail of changes in operating assets and liabilities, see the statement of consolidated cash flows in Item 1, Financial Statements of this Quarterly Form 10-Q.

*Capital Expenditures* We fund exploration and development (E&D) activities primarily through operating cash flows and budget capital expenditures based on projected cash flows. We remain determined to not outspend our operating cash flows, and we adjust our capital budget accordingly on a quarterly basis. In response to higher realized commodity prices, subsequent to the first quarter of 2011 we reassessed our capital expenditure budget for 2011 and raised our plan of \$7.5 billion to \$8.1 billion.

**Table of Contents**

The following table details capital expenditures incurred for each country in which we do business.

|                                                          | <b>For the Quarter Ended March<br/>31,</b> |             |
|----------------------------------------------------------|--------------------------------------------|-------------|
|                                                          | <b>2011</b>                                | <b>2010</b> |
|                                                          | <b>(In millions)</b>                       |             |
| Exploration and Development:                             |                                            |             |
| United States                                            | \$ 615                                     | \$ 297      |
| Canada                                                   | 266                                        | 203         |
| North America                                            | 881                                        | 500         |
| Egypt                                                    | 193                                        | 166         |
| Australia                                                | 162                                        | 165         |
| North Sea                                                | 210                                        | 94          |
| Argentina                                                | 69                                         | 37          |
| Chile                                                    |                                            | 10          |
| International                                            | 634                                        | 472         |
| Worldwide Exploration and Development Costs              | 1,515                                      | 972         |
| Gathering, Transmission and Processing Facilities (GTP): |                                            |             |
| Canada                                                   | 42                                         | 33          |
| Egypt                                                    | 29                                         | 24          |
| Australia                                                | 51                                         | 56          |
| Argentina                                                |                                            | 1           |
| Total GTP Costs                                          | 122                                        | 114         |
| Asset Retirement Costs                                   | 98                                         | 22          |
| Capitalized Interest                                     | 60                                         | 17          |
| Capital Expenditures, excluding Acquisitions             | 1,795                                      | 1,125       |
| Acquisitions, including GTP                              | 11                                         | 5           |
| Total Capital Expenditures                               | \$ 1,806                                   | \$ 1,130    |

Worldwide E&D expenditures for the first quarter of 2011 totaled \$1.5 billion, 56 percent above first-quarter 2010 levels. E&D spending in North America, which was up 76 percent from the prior-year quarter, totaled 58 percent of worldwide E&D spending. U.S. E&D expenditures more than doubled on activity related to our newly-acquired properties, particularly in the Permian region where we actively pursued opportunities in the Deadwood (Mariner-acquired) area. In addition, the Central region's active horizontal drilling program in the Granite Wash and Cherokee plays also contributed to our period-over-period increase in expenditures. E&D spending in Canada increased 31 percent to \$266 million on an active drilling program in several plays including the Horn River basin and several liquids-rich gas opportunities.

E&D expenditures outside of North America increased 34 percent over first-quarter 2010 levels to \$634 million. E&D spending in the North Sea was up \$116 million over the comparative period on construction of the Bacchus subsea tie-back project and on the Forties Alpha satellite platform and ongoing upgrades to existing platforms. Argentina expenditures were up \$32 million, or 86 percent, on additional drilling and development activity. Egypt was \$27 million higher than first-quarter 2010 levels on continued drilling activity across all its major basins.

We invested \$122 million in GTP in the first quarter of 2011 compared to \$114 million in the prior-year quarter. Expenditures in Australia consisted of construction activity at the Devil Creek Gas Plant and the ongoing front-end engineering and design (FEED) study for the Wheatstone LNG project. Activity in Canada was centered in the Horn River basin, with expenditures for gathering systems and a gas processing plant. GTP expenditures in Egypt primarily comprised final stages of construction on the Kalabsha oil processing facility.

*Dividends* During the first quarters of 2011 and 2010, Apache paid \$57 million and \$50 million, respectively, in dividends on its common stock. In the first quarter of 2011, the Company also paid a total of \$19 million in dividends on its Series D Preferred Stock issued in July 2010.

**Table of Contents*****Liquidity***

The following table presents a summary of our key financial indicators for the periods presented:

|                                         | <b>March 31,<br/>2011</b>                | <b>December<br/>31,<br/>2010</b> |
|-----------------------------------------|------------------------------------------|----------------------------------|
|                                         | <b>(In millions, except percentages)</b> |                                  |
| Cash and cash equivalents               | \$ 356                                   | \$ 134                           |
| Total debt                              | 8,160                                    | 8,141                            |
| Shareholders' equity                    | 25,198                                   | 24,377                           |
| Available committed borrowing capacity  | 2,353                                    | 2,387                            |
| Floating-rate debt/total debt           | 12%                                      | 12%                              |
| Percent of total debt-to-capitalization | 24.5%                                    | 25%                              |

*Cash and Cash Equivalents* We had \$356 million in cash and cash equivalents as of March 31, 2011, compared to \$134 million at December 31, 2010. Approximately \$325 million of the cash was held by foreign subsidiaries, and approximately \$31 million was held by Apache Corporation and U.S. subsidiaries. The cash held by foreign subsidiaries is subject to additional U.S. income taxes if repatriated. Almost all of the cash is denominated in U.S. dollars and, at times, is invested in highly liquid, investment grade securities with maturities of three months or less at the time of purchase.

*Debt* As of March 31, 2011, outstanding debt, which consisted of notes, debentures and uncommitted bank lines, totaled \$8.2 billion. Current debt as of March 31, 2011, includes \$30 million borrowed on uncommitted overdraft lines in Canada and Argentina. As of December 31, 2010, there was \$46 million drawn on uncommitted overdraft lines in the U.S. and Argentina.

*Available committed borrowing capacity* As of March 31, 2011, the Company had unsecured committed revolving syndicated bank credit facilities totaling \$3.3 billion, of which \$1.0 billion matures in August 2011 and \$2.3 billion matures in May 2013. The facilities consist of a \$1.0 billion 364-day facility, a \$1.5 billion facility and a \$450 million facility in the U.S., a \$200 million facility in Australia and a \$150 million facility in Canada. As of March 31, 2011, available borrowing capacity under the Company's credit facilities was \$2.4 billion. The U.S. credit facilities are used to support Apache's commercial paper program.

The Company has available a \$2.95 billion commercial paper program, which generally enables Apache to borrow funds for up to 270 days at competitive interest rates. The commercial paper program is fully supported by available borrowing capacity under U.S. committed credit facilities, which expire in 2013. As of March 31, 2011, the Company had \$947 million in commercial paper outstanding, compared with \$913 million outstanding as of December 31, 2010.

The Company was in compliance with the terms of all credit facilities as of March 31, 2011.

*Percent of total debt to capitalization* The Company's March 31, 2011 debt-to-capitalization ratio was 24.5 percent, down from 25 percent at December 31, 2010.

**Table of Contents**

**ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

**Commodity Risk**

The Company's revenues, earnings, cash flow, capital investments and, ultimately, future rate of growth are highly dependent on the prices we receive for our crude oil, natural gas and NGLs, which have historically been very volatile due to unpredictable events such as economic growth or retraction, weather and climate. Our average monthly crude oil realizations have increased 31 percent to \$97.83 per barrel in the first quarter of 2011 from \$74.55 per barrel in the comparable period of 2010. Our average natural gas price realizations have trended downward, decreasing six percent to \$4.32 per Mcf from \$4.60 per Mcf in the comparable period of 2010.

We periodically enter into hedging activities on a portion of our projected oil and natural gas production through a variety of financial and physical arrangements intended to support oil and natural gas prices at targeted levels and to manage our overall exposure to oil and gas price fluctuations. Approximately 16 percent of our first-quarter 2011 natural gas and 30 percent of our crude oil production was subject to financial derivative hedges.

Apache may use futures contracts, swaps and options to hedge its commodity prices. Realized gains or losses from the Company's price-risk management activities are recognized in oil and gas production revenues when the associated production occurs. Apache does not hold or issue derivative instruments for trading purposes.

On March 31, 2011, the Company had open natural gas derivative hedges in an asset position with a fair value of \$403 million. A 10 percent increase in natural gas prices would reduce the fair value by approximately \$90 million, while a 10 percent decrease in prices would increase the fair value by approximately \$89 million. The Company also had open oil derivatives in a liability position with a fair value of \$859 million. A 10 percent increase in oil prices would increase the liability by approximately \$418 million, while a 10 percent decrease in prices would decrease the liability by approximately \$369 million. These fair value changes assume volatility based on prevailing market parameters at March 31, 2011. See Note 3 Derivative Instruments and Hedging Activities of the Notes to Consolidated Financial Statements in Item 1 of this quarterly report for notional volumes and terms associated with the Company's derivative contracts.

**Interest Rate Risk**

On March 31, 2011, the Company's debt with fixed interest rates represented approximately 88 percent of total debt. As a result, the interest expense on approximately 12 percent of Apache's debt will fluctuate based on short-term interest rates. A 10 percent change in floating interest rates on floating debt balances as of March 31, 2011 would change interest expense by approximately \$183,000 per quarter.

**Foreign Currency Risk**

The Company's cash flow stream relating to certain international operations is based on the U.S. dollar equivalent of cash flows measured in foreign currencies. In Australia, oil production is sold under U.S. dollar contracts, and gas production is sold largely under fixed-price Australian dollar contracts. Approximately half the costs incurred for Australian operations are paid in U.S. dollars. In Canada, the majority of oil and gas production is sold under Canadian dollar contracts. The majority of the costs incurred are paid in Canadian dollars. The North Sea production is sold under U.S. dollar contracts, and the majority of costs incurred are paid in British pounds. In Egypt, all oil and gas production is sold under U.S. dollar contracts, and the majority of the costs incurred are denominated in U.S. dollars. Argentine revenues and expenditures are largely denominated in U.S. dollars but converted into Argentine pesos at the time of payment. Revenue and disbursement transactions denominated in Australian dollars, Canadian dollars, British pounds, Egyptian pounds and Argentine pesos are converted to U.S. dollar equivalents based on average exchange rates during the period.

Foreign currency gains and losses also arise when monetary assets and monetary liabilities denominated in foreign currencies are translated at the end of each month. Currency gains and losses are included as either a component of

Other under Revenues and Other or, as is the case when we re-measure our foreign tax liabilities, as a component of the Company's provision for income tax expense on the Statement of Consolidated Operations. A 10-percent strengthening or weakening of the Australian dollar, Canadian dollar, British pound, Egyptian pound or Argentine peso as of March 31, 2011, would result in a foreign currency net loss or gain, respectively, of approximately

\$130 million.

**Table of Contents**

**Forward-Looking Statements and Risk**

This report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included or incorporated by reference in this report, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected revenues, projected costs and plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements are based on our examination of historical operating trends, the information that was used to prepare our estimate of proved reserves as of December 31, 2010, and other data in our possession or available from third parties. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as may, will, could, expect, intend, project, estimate, anticipate, plan, believe, or continue or similar terms. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, our assumptions about:

the market prices of oil, natural gas, NGLs and other products or services;

our commodity hedging arrangements;

the integration of Mariner and the BP properties;

increased scrutiny from regulatory agencies due to the BP acquisition;

the supply and demand for oil, natural gas, NGLs and other products or services;

production and reserve levels;

drilling risks;

economic and competitive conditions;

the availability of capital resources;

capital expenditure and other contractual obligations;

the significant transaction and acquisition costs related to the Mariner and BP property acquisitions;

currency exchange rates;

weather conditions;

inflation rates;

the availability of goods and services;

legislative or regulatory changes;

the impact on our operations due to the change in government in Egypt;

terrorism;

occurrence of property acquisitions or divestitures;

the securities or capital markets and related risks such as general credit, liquidity, market and interest-rate risks; and

other factors disclosed under Items 1 and 2 Business and Properties Estimated Proved Reserves and Future Net Cash Flows, Item 1A Risk Factors, Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations, Item 7A Quantitative and Qualitative Disclosures About Market Risk and elsewhere in our most recently filed Form 10-K/A, other risks and uncertainties in our first-quarter 2011 earnings release, and other filings that we make with the Securities and Exchange Commission.

All subsequent written and oral forward-looking statements attributable to the Company, or persons acting on its behalf, are expressly qualified in their entirety by the cautionary statements. We assume no duty to update or revise our forward-looking statements based on changes in internal estimates or expectations or otherwise.

**Table of Contents**

**ITEM 4 CONTROLS AND PROCEDURES**

**Disclosure Controls and Procedures**

G. Steven Farris, the Company's Chairman and Chief Executive Officer, in his capacity as principal executive officer, and Thomas P. Chambers, the Company's Executive Vice President and Chief Financial Officer, in his capacity as principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2011, the end of the period covered by this report. Based on that evaluation and as of the date of that evaluation, these officers concluded that the Company's disclosure controls and procedures were effective, providing effective means to ensure that information we are required to disclose under applicable laws and regulations is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

We periodically review the design and effectiveness of our disclosure controls, including compliance with various laws and regulations that apply to our operations both inside and outside the United States. We make modifications to improve the design and effectiveness of our disclosure controls, and may take other corrective action, if our reviews identify deficiencies or weaknesses in our controls.

**Changes in Internal Control over Financial Reporting**

There was no change in our internal controls over financial reporting during the period covered by this quarterly report on Form 10-Q that materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

**PART II OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

Please refer to both Part I, Item 3 of the Company's Amended Annual Report on Form 10-K/A for the fiscal year ended December 31, 2010 (filed with the SEC on April 7, 2011) and Part I, Item 1 of this Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2011 for a description of material legal proceedings.

**ITEM 1A. RISK FACTORS**

During the quarter ending March 31, 2011, there were no material changes from the risk factors as previously disclosed in the Company's Amended Annual Report on Form 10-K/A for the year ended December 31, 2010.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None

**ITEM 4. [REMOVED AND RESERVED]**

**ITEM 5. OTHER INFORMATION**

None

**Table of Contents**

**ITEM 6. EXHIBITS**

- \*10.1 Apache Corporation 2007 Omnibus Equity Compensation Plan, as amended and restated May 4, 2011.
- \*10.2 Apache Corporation 1998 Stock Option Plan, as amended and restated May 5, 2011.
- \*10.3 Apache Corporation 2000 Stock Option Plan, as amended and restated May 5, 2011.
- \*10.4 Apache Corporation 2005 Stock Option Plan, as amended and restated May 5, 2011.
- \*10.5 Apache Corporation 2003 Stock Appreciation Rights Plan, as amended and restated May 4, 2011.
- \*10.6 Apache Corporation Non-Employee Directors Restricted Stock Units Program Specifications, dated May 5, 2011, pursuant to Apache Corporation 2011 Omnibus Equity Compensation Plan.
- \*14.1 Code of Business Conduct.

Certification (pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act) by Principal  
\*31.1 Executive Officer.

Certification (pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act) by Principal  
\*31.2 Financial Officer.

\*32.1 Section 1350 Certification (pursuant to Sarbanes-Oxley Section 906) by Principal Executive Officer and Principal Financial Officer.

\*\*101.INS XBRL Instance Document.

\*\*101.SCH XBRL Taxonomy Schema Document.

\*\*101.CAL XBRL Calculation Linkbase Document.

\*\*101.LAB XBRL Label Linkbase Document.

\*\*101.PRE XBRL Presentation Linkbase Document.

\*\*101.DEF XBRL Definition Linkbase Document.

\* Filed herewith

\*\* Furnished herewith

**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

APACHE CORPORATION

Dated: May 9, 2011

/s/ THOMAS P. CHAMBERS

Thomas P. Chambers  
Executive Vice President and Chief Financial  
Officer  
(Principal Financial Officer)

Dated: May 9, 2011

/s/ REBECCA A. HOYT

Rebecca A. Hoyt  
Vice President, Chief Accounting Officer and  
Controller  
(Principal Accounting Officer)